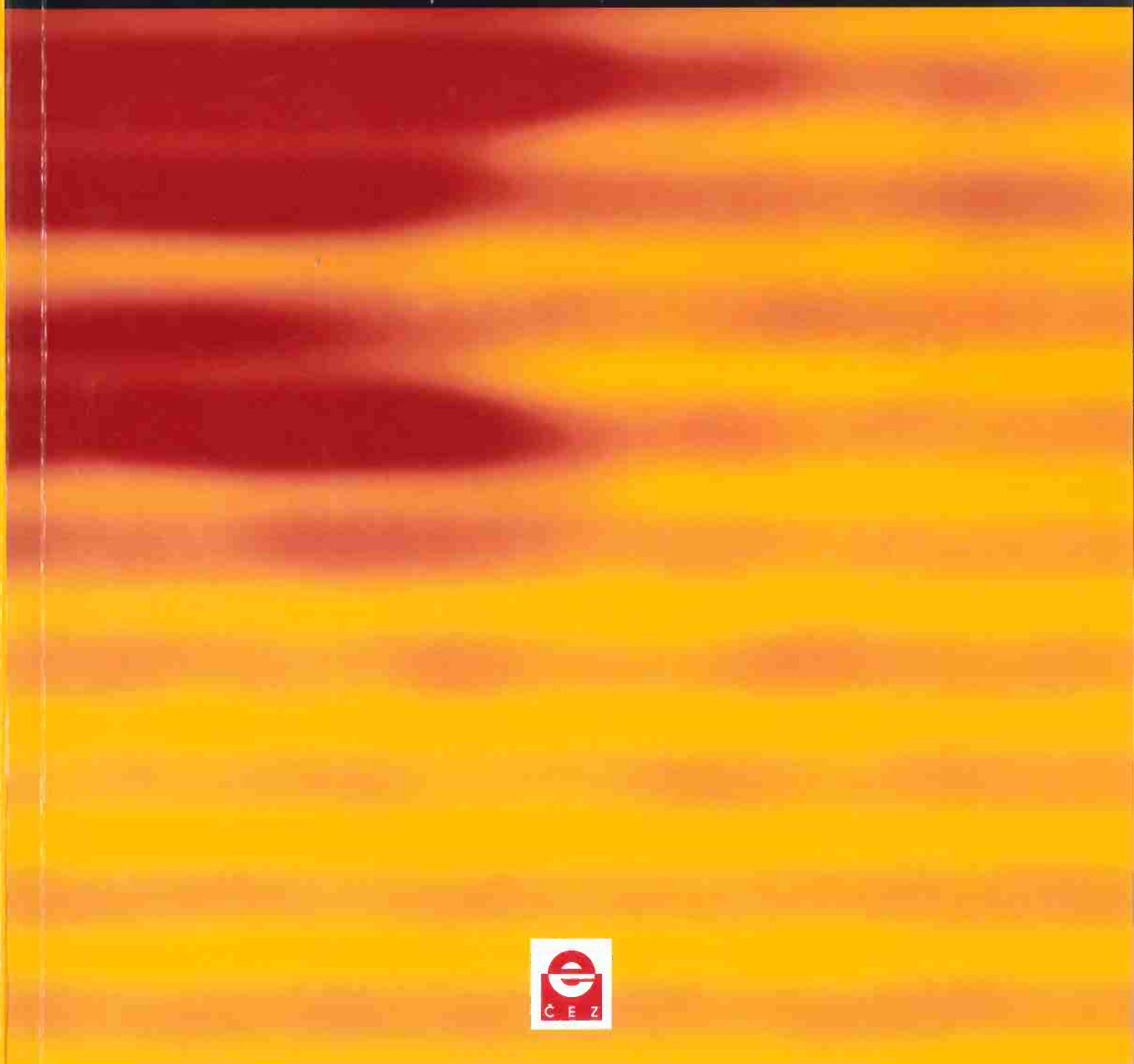
ANNUAL REPORT 1999

POWER COMPANY ČEZ



ČEZ, a. s. WAS ESTABLISHED ON 6 MAY 1992. ITS MAJORITY SHAREHOLDER IS THE NATIONAL PROPERTY FUND OF THE CZECH REPUBLIC. THE PRINCIPAL BUSINESSES OF ČEZ, a. s. ARE:

GENERATION, SALE, IMPORT AND EXPORT OF ELECTRICITY, GENERATION, DISTRIBUTION AND SALE OF HEAT, AND WASTE MANAGEMENT.

ČEZ, a. s. IS THE LARGEST ELECTRICITY PRODUCER IN THE CZECH REPUBLIC. ITS PRINCIPAL CUSTOMERS ARE THE EIGHT REGIONAL DISTRIBUTION UTILITIES. ČEPS, a. s., THE OPERATOR OF THE TRANSMISSION SYSTEM WHOLLY OWNED BY ČEZ, a. s., WENT INTO BUSINESS IN AUGUST 1999. IN OCTOBER 1999 ANOTHER SUBSIDIARY WAS FOUNDED: CEZTel, a. s., WHOSE AIM IS TO PROVIDE TELECOMMUNICATIONS SERVICES TO ITS FOUNDER (ČEZ, a. s.) AND ITS SISTER COMPANY ČEPS, a. s., AND SELL ITS REMAINING CAPACITY IN THE FAST-GROWING TELECOMMUNICATIONS MARKET.

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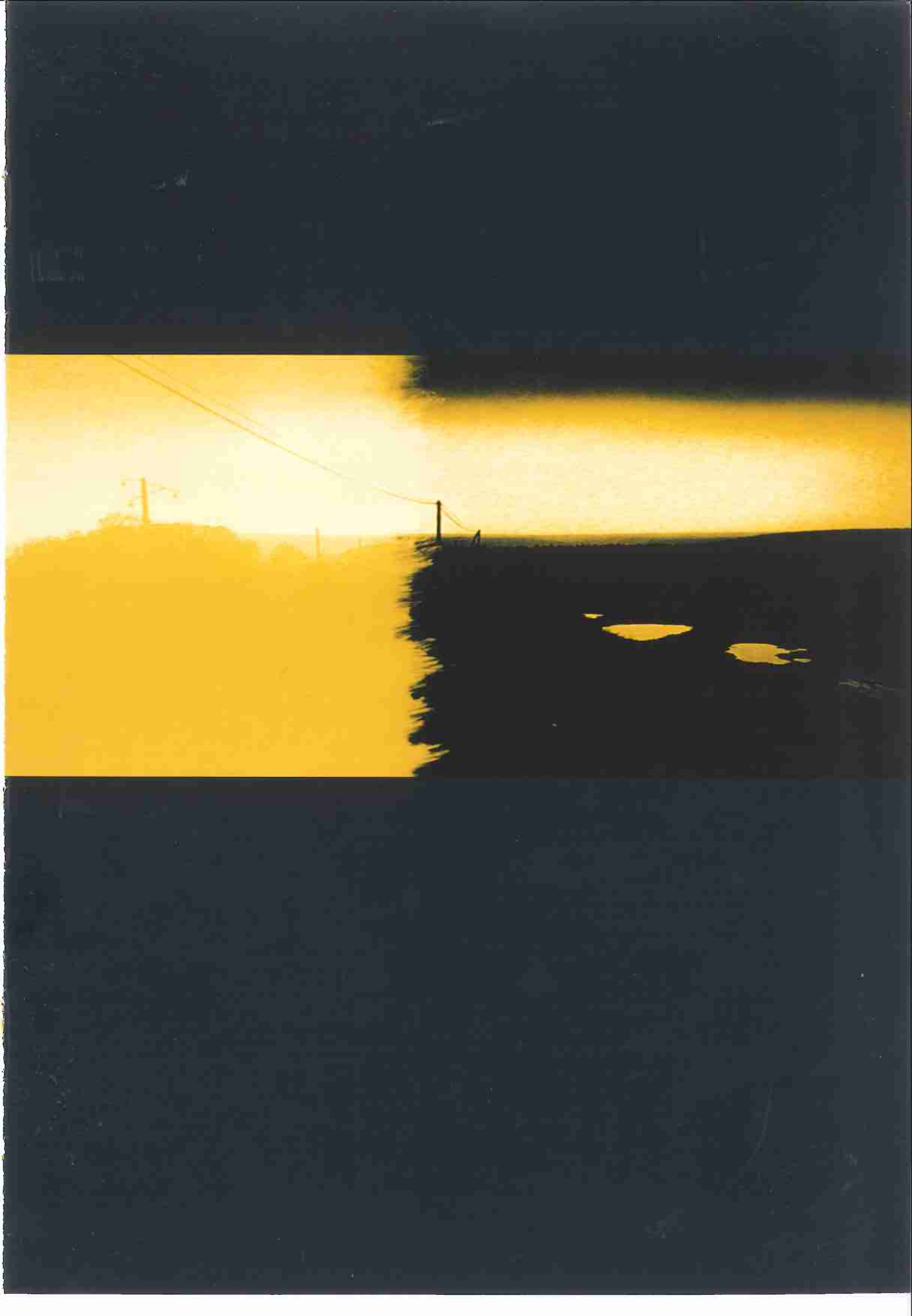
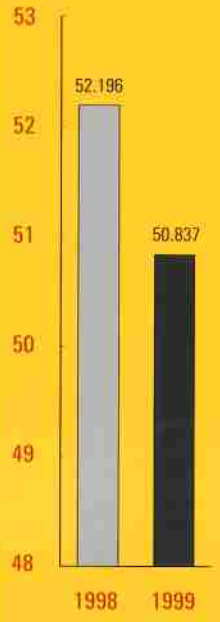


SELECTED INDICATORS

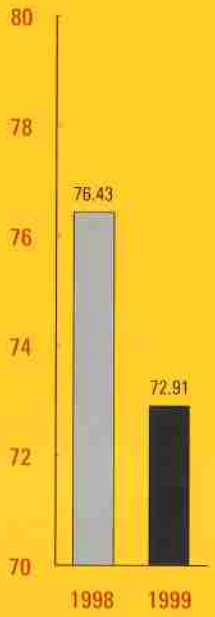
	Unit	1996	1997	1998	1999	Index 99/98 (%)
CZECH REPUBLIC						
Installed capacity as of December 31	MW	14,937	15,073	15,293	15,267	99.8
Peak requirement	MW	10,814	10,814	10,149	9,926	97.8
Date of peak requirement		25. 1.	7. 1.	10. 12.	1. 2.	x
Production of electrical energy	GWh	64,257	64,598	65,112	64,308	98.8
ČEZ, a. s.						
Installed capacity as of December 31	MW	10,999	10,999	10,900	10,151	93.1
Production of electrical energy	GWh	48,266	48,008	47,892	45,722	95.5
Production of heat	TJ	16,447	15,112	14,292	13,174	92.2
Number of employees as of December 31	persons	11,280	11,157	10,314	9,266	89.8
Earnings per CZK 100 share	CZK/share	16.4	8.9	17.5	8.7	49.7
Current ratio	1	0.54	0.68	0.36	0.75	2.1
Debt to equity ratio	1	0.43	0.47	0.44	0.50	1.1
Return on equity (net) *)	%	10.99	5.49	9.99	4.61	0.5

*) The shareholders' equity value in the denominator is the median of the year-end values.

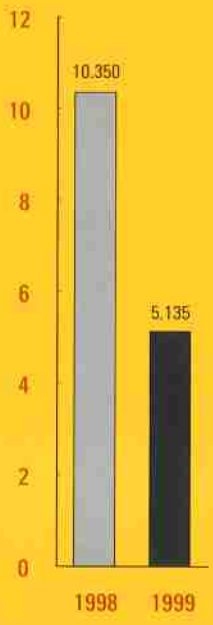
DEMAND FOR ELECTRICITY IN THE CZECH REPUBLIC (TWh)



ČEZ SHARE IN MEETING CZECH REPUBLIC ELECTRICITY DEMAND (%)



NET INCOME (CZK billions)



CONSOLIDATED BALANCE SHEETS (CZK millions)

	1996	1997	1998	1999
Assets				
Property, plant and equipment:				
Plant in service	120,406	143,207	156,592	163,973
Less accumulated provision for depreciation	52,649	58,721	66,175	73,983
Net plant in service	67,757	84,486	90,417	89,990
Nuclear fuel, at amortized cost	4,721	4,599	4,519	4,914
Construction work in progress	77,114	74,880	81,337	91,460
Total property, plant and equipment	149,592	163,965	176,273	186,364
Investment in affiliate	–	–	4,893	5,351
Other noncurrent assets, net	1,226	1,737	1,819	2,911
Current assets:				
Cash	2,222	4,097	1,007	4,357
Receivables, net	6,797	4,495	3,653	4,492
Materials and supplies, net	1,408	1,631	1,796	2,172
Fossil fuel stocks	924	1,227	1,284	797
Prepayments	1,309	570	747	615
Total current assets	12,660	12,020	8,487	12,433
Total assets	163,478	177,722	191,472	207,059
Shareholders' equity and liabilities				
Shareholders' equity:				
Stated capital	59,156	59,195	59,209	59,209
Retained earnings	33,994	39,250	49,600	54,735
Total shareholders' equity	93,150	98,445	108,809	113,944
Long-term liabilities:				
Long-term debt, net of amount due within one year	28,542	39,689	34,561	51,084
Accumulated provision for nuclear decommissioning and fuel storage	14,155	15,664	15,974	16,272
Deferred income taxes	4,183	6,280	8,674	9,134
Total long-term liabilities	46,880	61,633	59,209	76,490
Commitments and contingencies				
Current liabilities:				
Short-term loans	10,154	3,204	2,704	2,804
Long-term debt due within one year	1,472	3,502	10,333	2,665
Accounts payable	4,295	4,796	4,046	4,552
Accrued liabilities	7,527	6,142	6,371	6,604
Total current liabilities	23,448	17,644	23,454	16,625
Total shareholders' equity and liabilities	163,478	177,722	191,472	207,059

SELECTED DATA FROM CONSOLIDATED STATEMENTS OF INCOME (CZK millions)

	1996	1997	1998	1999
Total revenues	55,385	54,991	55,242	53,542
of which, e.g.: Sales of electricity	52,020	51,254	52,041	50,678
Total expenses	39,280	42,150	43,484	44,146
of which, e.g.: Fuel	12,735	13,228	13,220	12,856
Purchased power	7,427	7,419	7,095	7,444
Repairs and maintenance	3,945	3,869	4,634	4,233
Depreciation and amortization	5,651	6,943	8,162	8,740
Salaries and wages	2,828	3,250	3,407	3,584
Nuclear decommissioning and fuel storage	1,939	1,768	1,008	1,014
Income before other expenses (income) and income taxes	16,105	12,841	11,758	9,396
Other expenses (income)	459	3,366	-2,073	3,646
of which, e.g.: Exchange rate losses (gains), net	-22	2,182	-2,010	2,609
Equity in earnings of affiliate			-1,275	-476
Income before income taxes	15,646	9,475	13,831	5,750
Income taxes	5,939	4,219	3,481	615
Net income	9,707	5,256	10,350	5,135

SELECTED DATA FROM CONSOLIDATED STATEMENTS OF CASH FLOWS (CZK millions)

	1996	1997	1998	1999
Operating activities				
Net income	9,707	5,256	10,350	5,135
Adjustments to reconcile net income to net cash provided by operating activities:				
of which, e.g.: Depreciation and amortization	5,659	7,108	8,274	9,542
Amortization of nuclear fuel	1,389	1,353	1,453	1,467
Provision for nuclear decommissioning and fuel storage	1,868	1,509	310	299
Equity in earnings of affiliate, net of cash dividends			-1,173	-325
Changes in assets and liabilities	217	4,066	2,456	611
Net cash provided by operating activities	18,766	19,001	21,620	16,946
Investing activities				
Total cash used in investing activities	-26,725	-23,353	-25,913	-22,310
Financing activities				
Proceeds from borrowings	35,722	19,730	16,239	42,994
Payments of borrowings	-27,972	-13,503	-15,036	-34,280
Total cash provided by financing activities	7,750	6,227	1,203	8,714
Net increase (decrease) in cash	-209	1,875	-3,090	3,350
Cash at beginning of period	2,431	2,222	4,097	1,007
Cash at end of period	2,222	4,097	1,007	4,357

MAIN EVENTS OF 1999

JANUARY

- Extraordinary General Meeting of ČEZ, a. s.
- Second domestic bond issue repaid early (CZK 4 billion)
- Sixth and Seventh domestic bond issues floated (CZK 4.5 billion and CZK 2.5 billion, respectively)
- Agreement signed with ČEPS, a. s. concerning cooperation in ensuring reliable operation of the Czech Republic electrical power grid and the transmission, cross-border conveyance and supply of electricity during the 1999 – 2003 period

FEBRUARY

- The two ČEZ, a. s. share issues (CZK 1,100 and CZK 1,000 par value) are merged into one and split into shares with par value CZK 100
- ČEZ, a. s. Board of Directors decides to suspend ongoing retrofit of Tušimice I and put the power plant up for sale

MARCH

- Board of Directors approves new strategic vision of ČEZ, a. s.
- New note facility signed with Česká spořitelna, Citibank, ČSOB, and ING Barings

APRIL

- ČEZ, a. s. Board of Directors decides to purchase shares and voting rights on shares in regional electric utility companies

MAY

- Government of the Czech Republic decides to complete construction of Temelín Nuclear Power Station
- CENTREL Council meets in Prague

JUNE

- New director appointed to run Construction of Temelín Nuclear Power Station Division
- Annual General Meeting of ČEZ, a. s.
- General Meeting approves new ČEZ, a. s. Business Plan through the year 2005
- Fourth domestic bond issue repaid early (CZK 3 billion)
- Eight domestic bond issue floated (CZK 3 billion)
- Amendments to coal purchase agreements signed, lowering prices on a portion of supplies to allow electricity exports to be increased

JULY

- Unit No. 11 in Mělník III Power Station refitted to burn higher-heat-content coal

AUGUST

- Subsidiary company, ČEPS, a. s., commences operation
- ČEZ, a. s. Board of Directors decides to terminate retrofit of Tušimice I and not sell the power plant

SEPTEMBER

- Standard & Poor's affirms ČEZ's 'BBB+' rating with stable outlook

OCTOBER

- Moody's affirms Baa1 rating for ČEZ, a. s.
- Third foreign bond issue floated (EUR 200 million)
- ČEZ, a. s. opens new representation office in Brussels – the "capital" of the European Union
- Bureau for Protection of Economic Competition opens administrative proceedings for possible violation of Section 9(3) of the "Act on Protection of Economic Competition" in purchases of coal from Mostecká uhelná společnost, a. s. in 1999

DECEMBER

- First eurobond issue repaid (USD 150 million)
- Long-term agreement signed with České dráhy, the state railroad operator, on the conveyance of basic commodities (coal, limerock, ash) for ČEZ, a. s.
- Coal purchase agreements for the year 2000 signed with Severočeské doly, a. s., Sokolovská uhelná, a. s. and OKD, a. s.
- Contractual relationship with Elektrárny Opatovice, a. s. on purchases of electricity terminated
- Insurance policy acquired to cover liability risks arising from operation of Temelín Nuclear Power Station
- Preliminary shareholders agreement signed with Vivendi-Dalkia, a. s. concerning the joint venture JVCD, a. s.
- Sale of radioactive waste disposal site at Dukovany Nuclear Power Station to the State (conditions set forth in "Nuclear Act" fulfilled)

CHAIRMAN'S MESSAGE

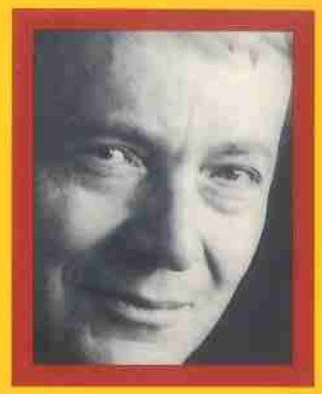
DEAR SHAREHOLDERS,

1999 WAS NOT A SIMPLE OR EASY YEAR FOR OUR COMPANY. AS YOU READ THE NUMBERS, TABLES AND GRAPHS CONTAINED IN THIS REPORT, PLEASE KEEP IN MIND THAT WE WERE OPERATING IN DETERIORATING ECONOMIC CONDITIONS, WAGING INTENSE BATTLES WITH OUR COMPETITORS AS WELL AS SOME OF OUR BUSINESS PARTNERS, DEALING WITH PERSONNEL CHANGES AT MANY LEVELS OF MANAGEMENT, AND FACING MORE THAN ONE UNSCRUPULOUS ATTACK ON OUR GOOD NAME. PERHAPS AT TIMES WE DID NOT EVEN REALIZE THAT WE WERE LIVING AND DEALING WITH SITUATIONS SO IMPORTANT FOR OUR FUTURE EXISTENCE AND PROSPERITY.

I DO NOT EMPHASIZE THIS TO MAKE AN APOLOGY FOR THE SHARP DECLINE IN EARNINGS THAT WE ARE REPORTING – THE CAUSES OF THAT DECLINE ARE EVIDENT FROM THE FACTS SET FORTH ON THE FOLLOWING PAGES OF THIS REPORT – BUT RATHER AS A REMINDER OF THE COST AT WHICH WE ACHIEVED OUR SUCCESSES, SOME OF WHICH I CONSIDER TO BE OF KEY IMPORTANCE FOR THE COMPANY'S FUTURE.

IN MY OPINION, OUR MOST SIGNIFICANT ACCOMPLISHMENT WAS TO HAVE TAKEN SEVERAL MAJOR STEPS ON THE ROAD TOWARDS OUR LONG-TERM STRATEGIC GOAL, WHICH IS TO TRANSFORM OUR COMPANY FROM A MERE PRODUCER OF ENERGY INTO A MAJOR PLAYER IN THE EUROPEAN ELECTRICITY AND HEAT MARKETS.

AT FIRST GLANCE THEY MAY SEEM LIKE VERY HETEROGENEOUS STEPS, BUT THEY ALL LEAD TOWARD THE GOAL JUST MENTIONED.



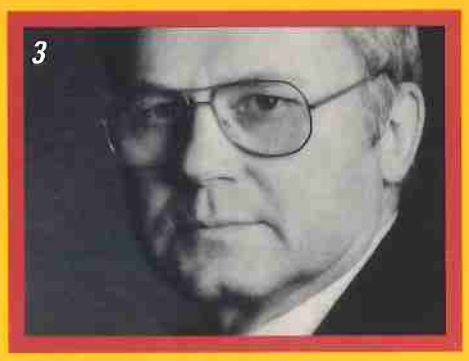
THE STEPS I HAVE IN MIND ARE THE FOLLOWING: WE DOUBLED ELECTRICITY EXPORTS DURING THE YEAR, WE ESTABLISHED A JOINT VENTURE WITH A FOREIGN COMPANY THAT THREATENED OUR OPERATIONS IN NORTH MORAVIA, WE OPENED AN OFFICE IN BRUSSELS TO REPRESENT OUR COMPANY, AND WE REACHED A COMPROMISE SOLUTION WITH DOMESTIC COAL SUPPLIERS AND DISTRIBUTORS. THE FACT THAT WE WERE ABLE TO ANALYZE AND, MORE IMPORTANTLY, ADMIT TO OURSELVES THE CAUSES FOR THE UNSATISFACTORY PROGRESS MADE TOWARD COMPLETING THE TEMELÍN NUCLEAR POWER STATION IS SOMETHING THAT I CONSIDER AT LEAST AS IMPORTANT FOR OUR COMPANY'S FUTURE AS THE FACT THAT WE MANAGED TO GIVE THE CONSTRUCTION WORK A NEW IMPULSE AND VIBRANCY THAT ARE A PROMISING INDICATION THAT THE CURRENT TIMELINE AND COST ESTIMATES FOR COMPLETION WILL TRULY BE MET.

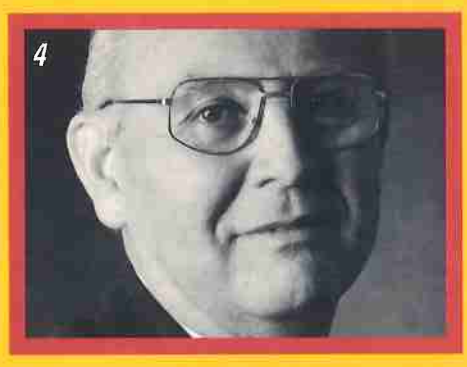
AS I SEE THEM, THESE EVENTS (WHICH ARE NOT EVEN MENTIONED IN THE EDITORIAL SECTION OF LAST YEAR'S ANNUAL REPORT) ARE AN INDICATION THAT LAST YEAR WE BEGAN TO REALIZE OUR NEW BUSINESS PHILOSOPHY IN EARNEST. THIS PHILOSOPHY IS BASED ON THE KNOWLEDGE THAT WE WILL NOT BE ABLE TO AVOID THE PROBLEMS THAT HAVE AFFECTED EACH AND EVERY COMPANY MAKING THE TRANSITION FROM A MONOPOLY OR MARKET DOMINANCE TO OPERATING IN A MARKET ENVIRONMENT; AS ELECTRICITY PRICES ARE DEREGULATED AND OUR COUNTRY ACCEDES TO THE EUROPEAN UNION, WE WILL BE FORCED TO MAKE A NUMBER OF UNPLEASANT, UNPOPULAR, AND CONTROVERSIAL DECISIONS AS WELL AS FIGHT TOUGH BATTLES WITH DOMESTIC AND FOREIGN COMPETITORS, OPPONENTS, AND DETRACTORS.

DEAR SHAREHOLDERS, I AM CONFIDENT THAT WHEN YOU LOOK AT THE NUMBERS CONTAINED IN THE 1999 ANNUAL REPORT FROM THIS VANTAGE POINT, YOU WILL GET THE SAME FEELING OF MODERATE OPTIMISM THAT IS FELT BY THOSE TO WHOM YOU HAVE ENTRUSTED THE COMPANY'S MANAGEMENT. I AM ALSO CONVINCED THAT WITH YOUR CONTINUED SUPPORT WE WILL BE ABLE TO TURN THIS FEELING INTO FURTHER GROWTH IN OUR COMPANY'S PERFORMANCE.

Theodor Dvořák
CHAIRMAN OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS





THEODOR DVOŘÁK (1)

Born 1951, Chairman of the Board of Directors since 10 December 1999, First Vice Chairman of the Board of Directors from 5 January 1999 to 9 December 1999, Executive Director for Asset Management and Procurement since 1 September 1999.

A graduate of the Faculty of Electrical Engineering of the Technical University of Brno, Dvořák also did post-graduate work in Nuclear Power Plant Operation at the Faculty of Mechanical Engineering of the Technical University of Brno. Starting in 1976, Dvořák worked for Elektrovod Bratislava on the construction of the Čebín, Brno – Bohunice and Brno – Komárov substations and on the Otrokovice heat plant. In 1980 he joined ŠKODA PRAHA, where he worked on the construction of power plants in Dukovany, Vojany, Khulna (Bangladesh) and Umm Al Nar West (Abu Dhabi, United Arab Emirates) in the Power Plant Running-In Department. After returning from abroad, Dvořák worked for ŠKODA PRAHA, a. s. as Assistant Head of Marketing.

FRANTIŠEK HEZOUČKÝ (3)

Born 1942, First Vice Chairman of the Board of Directors since 10 December 1999, Second Vice Chairman of the Board of Directors since 5 January 1999 to 9 December 1999, Executive Director of the Temelín Nuclear Power Station Construction Division since 10 June 1999.

A graduate of the Mechanical Engineering Faculty of the Czech Technical University, Department of Thermal Energy Equipment, Hezoučký also holds degrees in Nuclear Engineering from the Slovak and Czech Technical Universities. In 1965 – 1978 Hezoučký worked at the Jaslovské Bohunice Nuclear Power Station as operator, block foreman, shift engineering, head of the technical development and operations planning department, and head of energy start-up testing. In 1978 – 1987 he worked at the Dukovany Nuclear Power Station, where he held the positions Chief Engineer for Operating and Process Technology and Chief Start-Up Engineer for all four blocks. In 1987 – 1992 Hezoučký worked at the Temelín Nuclear Power Station as Deputy Director, and in 1993 – 1997 he was a technical consultant to Westinghouse. From 1997 until January 1999 he was Chief Engineer at the Swiss company COLENCO. From February to June, 1999, Hezoučký was advisor to the Chief Executive Officer of ČEZ, a. s. for the Temelín Nuclear Power Station.

STANISLAV SVOBODA (2)

Born 1949, Member of the Board of Directors from 5 January 1999, Second Vice Chairman of the Board of Directors from 15 February 2000 to 26 April 2000, Chief Executive Officer of ČEZ, a. s. from 13 December 1999 to 26 April 2000.

A graduate of the Electrical Engineering Faculty of the Czech Technical University, where he specialized in economic, organizational and management issues in energy, Svoboda also holds an MBA from Sheffield Hallam University. He has ten years of work experience in operations and maintenance at the Tušimice II and Chvaletice Power Stations and another ten years at the Power Plant Start-Up Department of ŠKODA PRAHA, a. s., where he worked at power plants in Jaslovské Bohunice, Umm Al Nar West (Abu Dhabi, United Arab Emirates), Dukovany and Zrenjanin (Yugoslavia). Since 1993, Svoboda has been with ŠKODA PRAHA in division director capacities, first at the Construction Division and later at the Fossil Energy Division. He was named CEO of ŠKODA PRAHA in 1995, a position he held until 12 December 1999. He has been a member of the ŠKODA PRAHA Board of Directors since 1998, and was Chairman of the Board until 12 December 1999. Svoboda is also on the Board of Directors of ŠKODA-EXPORT, a. s.

ZDENĚK VORLÍČEK (4)

Born 1941, Member of the Board of Directors since 15 February 2000, Second Vice Chairman of the Board of Directors from 10 December 1999 to 14 February 2000, Member of the Board of Directors from 5 January 1999 to 9 December 1999.

A graduate of the Mechanical Engineering Faculty of the Czech Technical University, where he specialized in turning and shaping machines, Vorlíček also did post-graduate work at the same institution and received the title of Docent (Senior Lecturer). First he worked as a design engineer and later as a professor at the Mechanical Engineering Faculty of the Czech Technical University. In 1992 – 1996 he was a member of the Czech Parliament, where he served on the Economy Committee of the Chamber of Deputies. Since August 1998 he has been with the Czech Ministry of Industry and Trade as Deputy Minister for Economic Policy. Vorlíček is a member of the Academy of Sciences Grant Agency, a regular guest of the Government's Research and Development Council, the Ministry of Industry and Trade's delegate to the Academic Assembly of the Academy of Sciences, and a member of the Economic Policy Task Force of the Economic and Social Alliance Council.

MILAN ČERNÝ

Born 1948, Member of the Board of Directors from 11 December 1999 to 15 February 2000, Chairman of the Board of Directors and Chief Executive Officer of ČEZ, a. s. -from 5 January 1999 to 10 December 1999.

A graduate of the Faculty of Electrical Engineering of the Czech Technical University, Černý did post-graduate work at the Czech Academy of Sciences in the heavy current field, specializing in electricity generation and distribution. He also completed a management course at the University of Cranfield in Great Britain. During his career to date, Černý has worked for Výstavba energetických zařízení Praha, where he helped build the Počerady Power Station, the energy research institute Výzkumný ústav energetický Praha, and Energovod Praha in R&D. Černý also held a director's position at the Czech Academy of Sciences. From 1993 to 1996, Černý was with the Czech Ministry of Industry and Trade as Deputy Minister for Energy. After leaving public service, he went to work for CHEMAPOL GROUP as director of the strategy and products division. Afterwards he worked as an energy industry consultant. During his career, Černý has served on the supervisory boards of ČEZ, Mostecká uhelná společnost, Severočeská energetika, Vodní stavby Bohemia, Spolana, and Golf and Country Club. He has also been chairman or vice chairman of the boards of Melantrich, a. s., C. H. C., a. s., Omnipol, a. s., C. H. M., a. s. and Gas-Invest, a. s.

MEMBERS OF THE BOARD OF DIRECTORS UNTIL 5 JANUARY 1999

GABRIEL EICHLER

Born 1950, Vice Chairman of the Board of Directors from 24 April 1994 to 5 January 1999.

PETR FIŠER

Born 1964, Member of the Board of Directors from 29 January 1998 to 5 January 1999.

PETR KARAS

Born 1941, Chairman of the Board of Directors from 19 October 1992 to 5 January 1999, Chief Executive Officer of ČEZ, a. s. from 1 May 1997 to 29 January 1998.

VLADIMÍR MENŠÍK

Born 1955, Member of the Board of Directors from 29 January 1998 to 5 January 1999.

ONDŘEJ SCHNEIDER

Born 1964, Member of the Board of Directors from 29 January 1998 to 5 January 1999.

VÍT ŠTĚPÁNEK

Born 1961, Member of the Board of Directors from 29 January 1999 to 5 January 1999.

JAN VAČÍK

Born 1951, Member of the Board of Directors from 15 June 1994 to 5 January 1999, Chief Executive Officer of ČEZ, a. s. from 29 January 1998 to 5 January 1999.

EXECUTIVE MANAGEMENT

STANISLAV SVOBODA

Born 1949, Member of the Board of Directors from 5 January 1999, Second Vice Chairman of the Board of Directors from 15 February 2000 to 26 April 2000, Chief Executive Officer of ČEZ, a. s. from 13 December 1999 to 26 April 2000.

See bio under Board of Directors.

THEODOR DVOŘÁK

Born 1951, Chairman of the Board of Directors since 10 December 1999, First Vice Chairman of the Board of Directors from 5 January 1999 to 9 December 1999, Executive Director for Asset Management and Procurement since 1 September 1999.

See bio under Board of Directors.

FRANTIŠEK HEZOUČKÝ

Born 1942, First Vice Chairman of the Board of Directors since 10 December 1999, Second Vice Chairman of the Board of Directors since 5 January 1999 to 9 December 1999, Executive Director of the Temelín Nuclear Power Station Construction Division since 10 June 1999.

See bio under Board of Directors.

JAN KRENK

Born 1951, Executive Director for Production since 1 May 1997, named First Deputy CEO on 11 January 1999. Second Vice Chairman of the Board of Directors from 1 May 1994 to 22 February 1996, re-elected to the Board of Directors as Member on 24 July 1996, served until 29 January 1998.

Krenk is a graduate of the Electrical Engineering Faculty of the Czech Technical University, where he studied Heavy Current Engineering, and did post-graduate work in Steam Power Generation at the Technical University of Pilsen. In 1976 – 1982 Krenk held various operating posts at the Chvaletice Power Station. In 1982 – 1992 he worked at the Dukovany Nuclear Power Station, of which he was named director in 1990. In 1993 – 1994 he was director of the Nuclear Power Section and, later, the Division of Nuclear Power Stations at ČEZ, a. s. Krenk is a member of the Board of Directors of the Nuclear Research Institute in Řež and a member of the Supervisory Boards of KOTOUČ ŠTRAMBERK, s. r. o. and I & C Energo. Since 15 January 1999 he has been a Supervisory Board member at ČEPS, a. s.

PETR VOBOŘIL

Born 1950, Executive Director of ČEZ, a. s. for Economics since 1 May 1997, named Second Deputy CEO on 11 January 1999, acting CEO of ČEZ, a. s. since 27 April 2000.

Vobořil is a graduate of the Mechanical Engineering Faculty of the Czech Technical University, where he studied work space technology, and he did post-graduate work in district heat development. In 1997 he attended a management skills course at the InterManager European standard level. He first came to work for České energetické závody (the predecessor of today's ČEZ, a. s.) in 1980 and spent the first ten years of his career with ČEZ in operation control and heat industry development. After 1990 he worked in various economic section posts, and from 1 January 1995 to April 1998 he was Director of the Planning and Analysis Section.

IVAN BAŤKA

Born 1966, Executive Director of ČEZ, a. s. for Commerce since 1 March 1999.

After graduating from the Economics of Foreign Trade Faculty of the University of Economics, Prague, Bafka worked for the Ligna foreign trade organization for two years as a sales assistant. From 1990 to 1991 he was Director of the Real Estate Section of the Czech-American firm CONEX, a. s., where he was also responsible for foreign direct investments in the Czech Republic. From 1992 until coming to ČEZ, Bafka was a private businessman, Chairman of the Board and CEO of Praha 2000, a. s., Chairman of the Board of Alivo, a. s. and held board-level positions in a number of other corporations. Currently he is Chairman of the Boards of Chemin, a. s. and LIN, a. s. as well as Managing Director of Londa, s. r. o., all of which do business in other areas than ČEZ.

IVAN CELIZNA

Born 1952, Executive Director of ČEZ, a. s. for Human Resources since 1 May 1997.

A graduate of the Secondary Industrial School of Mechanical Engineering, starting in 1971 Celizna worked for the state enterprise Technoplast Chropyně as an independent design engineer. He accepted employment at the Chvaletice Power Station in 1976, where he worked in various positions in continuous operations for 15 years before becoming Chairman of the labor union organization in 1991. Between 1992 and 1993 he was also a member of the Supervisory Board of ČEZ, elected by the company's employees. In 1993 he became Director of the Chvaletice Power Station's Human Resources Division, and in 1996 he was named Director of the Human Resources Section at ČEZ Headquarters. He is currently Chairman of the Supervisory Board of Výcvikové středisko energetiky, s. r. o., a position he has held since 1996.

JIŘÍ RICHTER

Born 1947, Executive Director of ČEZ, a. s. for Development since 1 March 1998.

A graduate of the Nuclear Engineering Faculty of the Czech Technical University specializing in nuclear reactor physics and technology, Richter did post-graduate work at the same Faculty in the area of experimental neutron physics. Richter gained ten years of professional experience working for Energoinvest Praha, a project engineering organization of České energetické závody, where he dealt primarily with preparations for the construction of the Dukovany and Temelín Nuclear Power Stations. From 1983 until the establishment of ČEZ, a. s. in 1992, Richter worked at the Headquarters of České energetické závody, where he dealt with preparations for the Temelín Nuclear Power Station project, completion of the Dukovany Nuclear Power Station project, and the interim storage facility for spent fuel. He also worked in stabilization of capital construction and preparations for a program to decrease air pollution generated by coal-fired power plants. In 1992, Richter was named Director of the Investment Section responsible for preparing and coordinating the Company's fossil power investment program.

FORMER MEMBERS OF EXECUTIVE MANAGEMENT

MILAN ČERNÝ

Born 1948, Member of the Board of Directors from 11 December 1999 to 15 February 2000, Chairman of the Board of Directors and Chief Executive Officer of ČEZ, a. s. from 5 January 1999 to 10 December 1999.

See bio under Board of Directors.

LUDMILA PETRÁŇOVÁ

Born 1946, Member of the Board of Directors from 22 February 1996 to 29 January 1998, Executive Director of ČEZ, a. s. for Commerce from 1 May 1997 to 28 February 1999, and Director of the Economics and Finance Section at ČEPS, a. s. since 1 March 1999.

A graduate of the Nuclear and Physical Engineering Faculty of the Czech Technical University, Petráňová worked for thirteen years as a programmer at Kancelářské stroje, three years at a supplier organization for Středočeské energetické závody and, following the break-up of that enterprise, as head of the IT and organization section of Pražské energetické závody. From 1993 to August 1994 she worked for ČEZ, a. s. as director of the Change Management Section, and from September 1994 to March 1996 she worked for Spořitelní investiční společnost as Marketing Section Director. In 1994 she joined the Board of Directors of Sklo Union Teplice, a. s., of which she was elected Chairperson in 1995. In 1994 – 1995 she was a member of the Board of Directors of Transakta, a. s. Starting in December 1997 she has been a board member of Energovod, a. s., serving first on the Board of Directors and later on the Supervisory Board. She has been a Supervisory Board member for KOTOUČ ŠTRAMBERK, s. r. o. since January 1998 and was a member of the Board of Directors of Severočeské doly, a. s. from March 1998 to February 1999.

LADISLAV RAFAJ

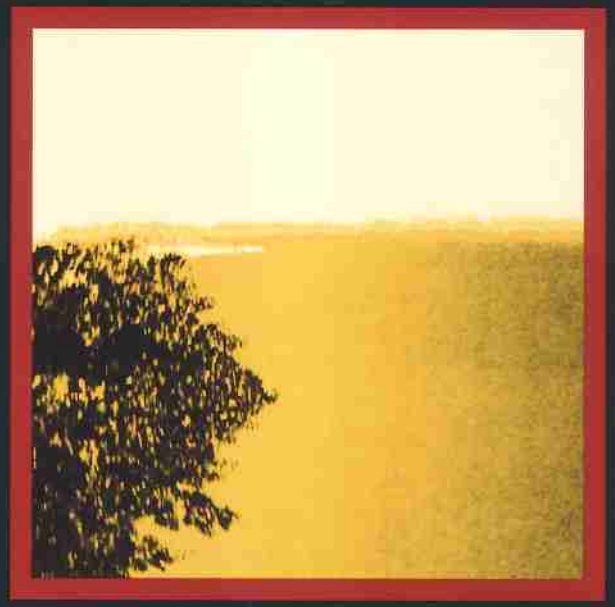
Born 1943, Executive Director of ČEZ, a. s. Construction of Temelín Nuclear Power Station Division from 1 April 1998 to 10 June 1999.

Rafaj is a graduate of the Mechanical Engineering Faculty of the Slovak Technical University in Bratislava, where he majored in power engineering. In 1974, Rafaj completed postgraduate studies in nuclear power engineering at the Czech Technical University. After university, he worked at the Vojany Power Station for three years. In 1979 – 1981 he worked at the Jaslovské Bohunice Nuclear Power Station and in 1981 – 1990 he was employed at the Nuclear Power Research Institute in Trnava and at ŠKODA PRAHA, a. s., where he took part in the construction of the Mochovce Nuclear Power Station. Rafaj became director of Mochovce in 1990, a position he held for four years. In 1994, he accepted the director's post at the Jaslovské Bohunice Nuclear Power Station. In the same year, he became a board member of Slovenské elektrárny, a. s., where he also worked as Chief Director of Maintenance and Operations until the end of 1995. From 1996 to 1 April 1998 Rafaj was Assistant Deputy for Advancement of Nuclear Safety at the Jaslovské Bohunice Nuclear Power Station.

ALEŠ TOMEC

Born 1957, Member of the Board of Directors from 22 February 1996 to 29 January 1998, Executive Director of ČEZ, a. s. Transmission Network Division from 1 May 1997 to 10 March 1999, Director Transmission Network Division from 11 March 1999 to 31 December 1999 and Chairman of the Board of Directors and Chief Executive Officer of ČEPS, a. s. since 11 March 1999.

Tomec is a graduate of the Electrical Engineering Faculty of the Czech Technical University, where he studied electric machinery design. He worked for two years at the ŠKODAEXPORT foreign trade organization. In 1983 he started working at the Control Center of České energetické závody, the predecessor of today's ČEZ. There Tomec progressed through a number of positions. Starting in 1991, he held a leadership position at the Czechoslovak Statewide Control Center. Tomec was named Director of the Central Control Center in May, 1994. From February 1996 to January 1998 Tomec was a Member of the Board of Directors of ČEZ, a. s. and in April, 1996, he was appointed Director of the Transmission Network Division. Currently, Tomec heads up the Steering Committee and is a member of the Council of CENTREL. He has been Vice Chairman of the Board of Directors of CEZTel, a. s. since October 1999 and was President of CDO in 1997 – 1999.



WE ENDEAVOR TO DEVELOP AND MODERNIZE THE CZECH ENERGY SECTOR IN TERMS OF ENVIRONMENTAL IMPACTS, WITH REGARD FOR THE CAPABILITIES AND NEEDS OF THE CZECH REPUBLIC, AND WITH CONSIDERATION FOR THE GLOBAL ENVIRONMENTAL SITUATION OF THE EARTH.

SUPERVISORY BOARD

FRANTIŠEK BROŽÍK

Born 1955, Member of the Supervisory Board since 5 January 1999, Chairman of the Supervisory Board since 22 January 1999.

A graduate of the Manufacturing Economics Faculty of the University of Economics, Prague. Brožík is Vice Chairman of the Chamber of Deputies of the Parliament of the Czech Republic. Before entering politics, Brožík worked in various economic positions at manufacturing firms. Currently he is Vice Chairman of the Presidium of the National Property Fund, the institution he represents on the Supervisory Board.

VÁCLAV KREJČÍ

Born 1953, Member of the Supervisory Board elected by employees from 23 February 1993 to 29 January 1998, re-elected to same position on 6 April 1998, Vice Chairman of the Supervisory Board since 22 January 1999.

A graduate of secondary industrial school of chemical technology, Krejčí has seven years of experience working for Chemické závody Litvínov. Since 1982, he has worked at the Dukovany Nuclear Power Station, where he is currently Head of the Internal Communication Department.

VLADIMÍR LAŠTŮVKA

Born 1943, Member of the Supervisory Board since 5 January 1999.

Laštůvka is a graduate of the Technical and Nuclear Physics Faculty of the Czech Technical University in Nuclear Physics, where he majored in Nuclear Physics. His past work experience includes a stint at the Jaslovské Bohunice Nuclear Power Station. Currently, he is a member of the Czech Parliament's Chamber of Deputies, a member of that body's Foreign Affairs Committee and Vice Chairman of the Committee for European Integration. Laštůvka represents the National Property Fund on the ČEZ Supervisory Board.

MICHAL PROCHÁZKA

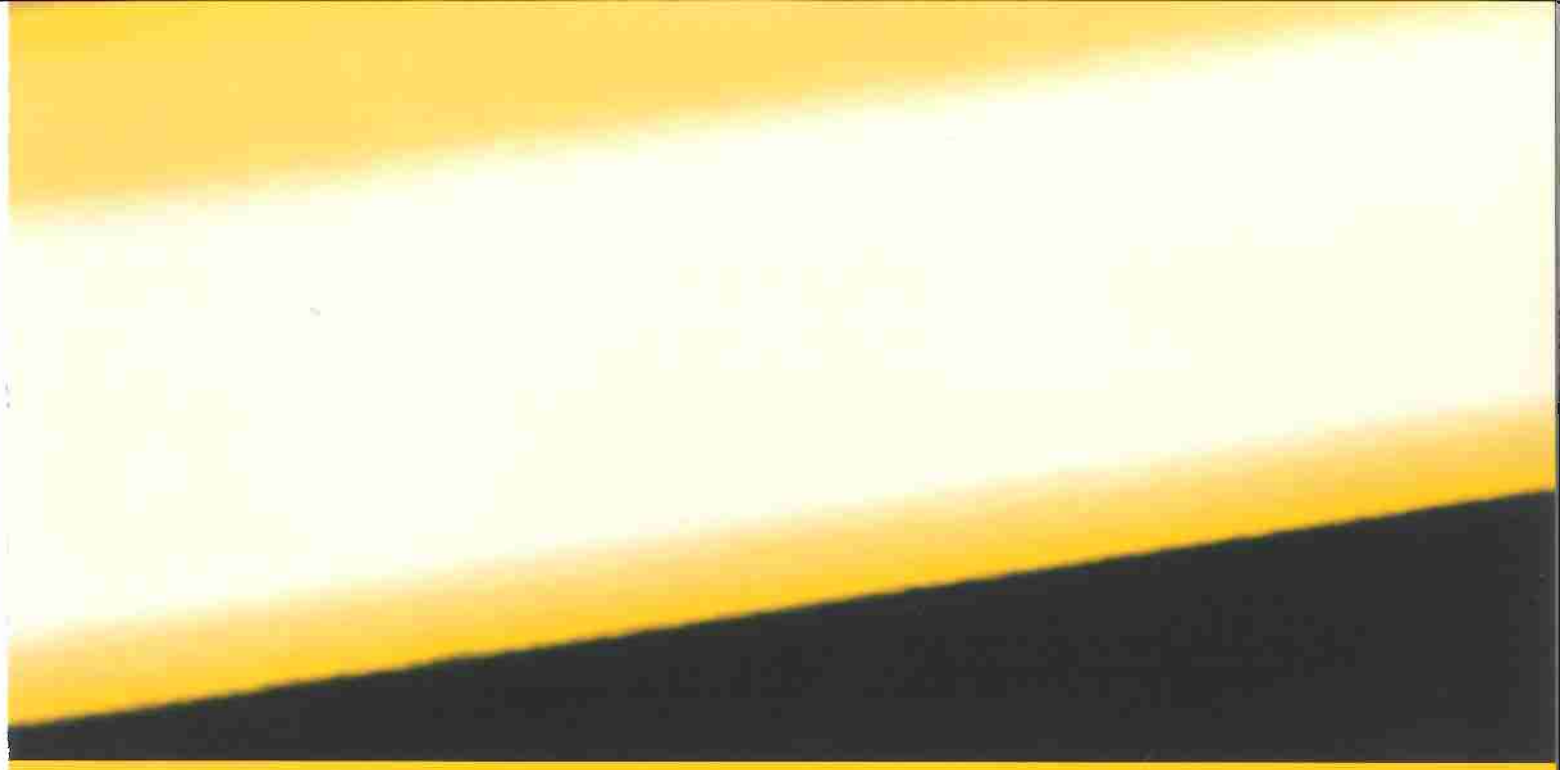
Born 1967, Member of the Supervisory Board since 22 June 1999.

A graduate of the Faculty of Manufacturing Economics at the University of Economics, Prague, Procházka passed the Bankruptcy Administrator exams and is a licensed participant in the financial and capital markets (Prague Stock Exchange) as well as a Nowel data networks administrator. After university, Procházka worked as a sales assistant at the Keramika Foreign Trade Organization and later, until 1998, he passed through a number of management positions in investment companies. Currently he is advisor to the Deputy Minister of Finance for pricing methods and regulation, the insurance industry, the financial markets and banking. He is Vice Chairman of the Supervisory Board of Strojimport, a. s. and a member of the Supervisory Boards of Nová Huť, a. s. and Hotelinvest, a. s. He represents the National Property Fund on the ČEZ Supervisory Board.

JAN ŠEVR

Born 1947, Member of the Supervisory Board elected by employees from 23 February 1993 to 29 January 1998, re-elected to the same position on 24 June 1999.

A graduate of secondary industrial school of mechanical engineering, Ševr has worked at the Mělník Power Station since 1966, where he currently heads up the shift operations management department.



KAREL ŠPAČEK

Born 1930, Member of the Supervisory Board since January 5, 1999.

Špaček is a finance and statistics graduate of the University of Economics, Prague. In 1997, he was named Docent of the University of Economics, Prague, for the finance area. Špaček worked at the Ministry of Finance in budgeting until 1990. From 1990 to 1992 he was Minister of Finance, after which he served in a number of senior positions as well as teaching. Currently, Špaček is Deputy Minister of Industry and Trade in charge of the Ministry's budget and support for small and mid-sized businesses. He represents the National Property Fund on the ČEZ Supervisory Board.

JIŘÍ ŠVAMBERK

Born 1944, Member of the Supervisory Board elected by employees from 23 February 1993 to 29 January 1998, re-elected to same position on 6 April 1998.

A graduate of the secondary industrial school of mechanical engineering, since 1962 Švamberk has worked at the Tisová Power Station, where he currently heads up the human resources department.

JIŘÍ TŘEŠŇÁK

Born 1938, Member of the Supervisory Board since 5 January 1999.

Třešňák is a graduate of the secondary industrial school of chemistry. He worked at the Mělník Power Station starting in 1960. In 1974 he joined the power plant construction enterprise Výstavba elektráren, where he worked on a number of plant projects both in Czechoslovakia and abroad. In 1990 he returned to Mělník Power Station and became an employee of ČEZ, a. s. Currently he is a member of the project team in charge of desulfurizing the Mělník II and III power stations. Třešňák represents the National Property Fund on the ČEZ Supervisory Board.

LUBOŠ ZÍKA

Born 1954, Member of the Supervisory Board since 22 June 1999.

A graduate of the University of Economics, Prague, Zíka also attended several short qualification courses and passed the brokerage exams. After completing his studies in 1989, he worked at the Kladno – based enterprise Výstavba kamenouhelných dolů as head of information system methodology. In the years that followed, he worked as deputy director for economic and technical services at OÚNZ Kladno, as a section director for Xerox, as securities section director for Raxer – a member of the Prague Stock Exchange and a Rank Xerox authorized dealer – and as director of Z-Broker, a securities trading firm. In March 1999 he was appointed to his present position of advisor to the First Deputy Chairman of the National Property Fund.

Biographies of ČEZ Supervisory Board members who were removed from office at the extraordinary shareholder meeting of 5 January 1999 and were not elected to the new Supervisory Board can be found in the 1998 Annual Report. This applies to the following Supervisory Board members:

IVAN NOVÁK, LADISLAV PETRÁSEK, JOSEF PETŘÍK, JIŘÍ VOJTA.

SHAREHOLDERS AND SECURITIES ISSUED

COMPANY SHAREHOLDERS

The total registered share capital of ČEZ, a. s. as of year-end 1999 was CZK 59.209 billion, of which CZK 59.195 billion was officially registered in the Commercial Register.

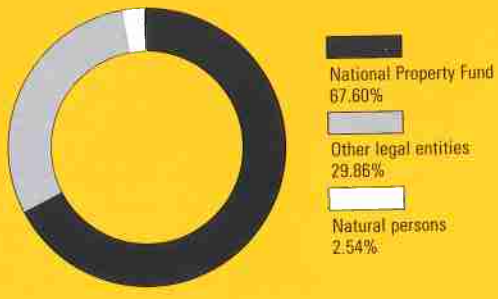
As of 19 January 2000, ČEZ, a. s. had 154,439 shareholders, down 13,070 from the same date of the previous year.

SHAREHOLDER STRUCTURE

	at 30. 12. 1998 *)	at 16. 6. 1999 *)	at 19. 1. 2000 *)
National Property Fund	67.57%	67.60%	67.60%
Other legal entities	29.44%	29.62%	29.86%
Total legal entities	**97.01%**	**97.22%**	**97.46%**
of which: domestic	73.26%	70.66%	69.80%
foreign	23.75%	26.56%	27.66%
Total natural persons	**2.99%**	**2.78%**	**2.54%**
of which: domestic	2.83%	2.62%	2.39%
foreign	0.16%	0.16%	0.15%

*) *Amount determined as of the date of Annual or extraordinary General Meeting.*

SHAREHOLDER STRUCTURE AT 19 JANUARY 2000



Six legal entities besides the National Property Fund own stakes in excess of 1%. As of 19 January 2000, foreign entities (both legal entities and natural persons) owned nearly 28% of ČEZ, a. s. Other than the National Property Fund, it was not determined from the shareholder list generated by the Securities Center that any other person's share in General Meeting voting rights exceeded 10%.

SHAREHOLDER STRUCTURE BY NUMBER OF SHARES OWNED AT 19. 1. 2000

Number of shares	Number of shareholders
1 – 100,000	154,351
100,000 – 500,000	49
500,000 – 1,000,000	14
1,000,000 –10,000,000	20
over 10,000,000	5
Total	**154,439**

SHAREHOLDER STRUCTURE BY SIZE OF STAKE AT 19. 1. 2000

% of registered capital	Number of shareholders
< = 1%	154,432
>1% and < = 2%	3
>2% and < = 3%	2
>3% and < = 4%	0
>4% and < = 5%	0
>5% and < = 10%	1
>10%	1
Total	**154,439**

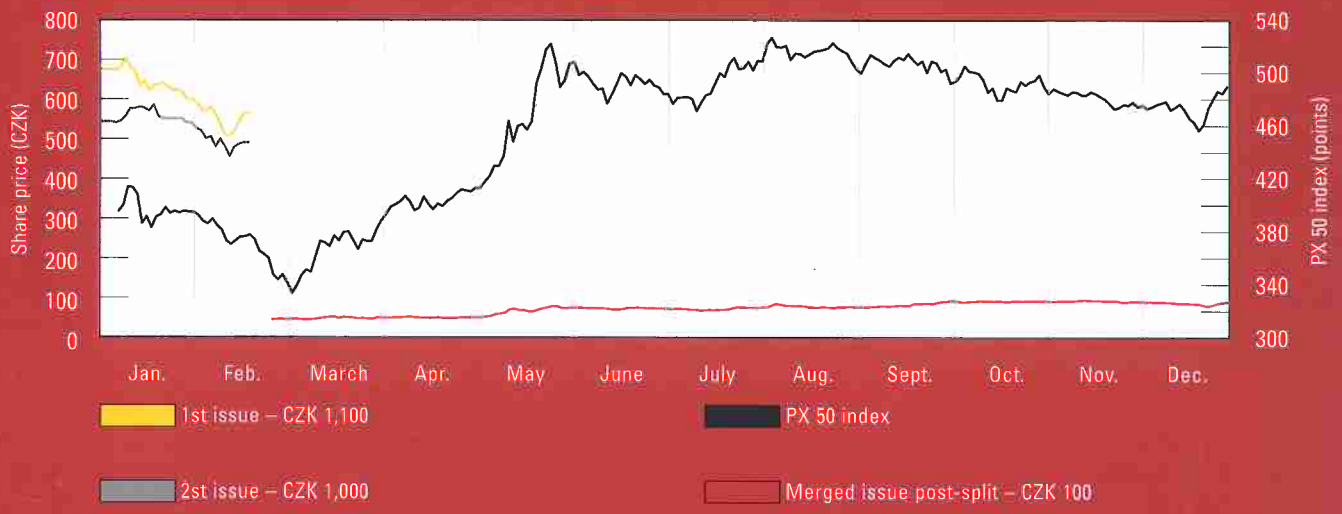
- No shareholder dividends were paid in 1999.
- One Annual General Meeting and one extraordinary General Meeting were held in 1999.

  The extraordinary General Meeting, which was held on 5 January 1999, was convened by the Board of Directors at the request of the majority shareholder, the National Property Fund. The General Meeting removed from office the members of the Board of Directors and Supervisory Board elected by the General Meeting. Subsequently, it lowered the number of Board of Directors members from 7 to 5 and elected new members of the Board of Directors and Supervisory Board.

  The Annual General Meeting, which was held on 22 June 1999, approved the financial statements and earnings allocation for 1998 as well as the actions taken by the Board of Directors in providing documentation to the independent team in charge of assessing the completion of the Temelín Nuclear Power Station. It further approved the remuneration of the members of the company's boards, the Business Plan through 2005, the possibility of selling the Tušimice I Power Station and the purchase of enriched uranium. Lastly, the General Meeting increased the number of Supervisory Board members.

- A lawsuit brought by one of the shareholders called into doubt the validity of the extraordinary General Meeting (5 January 1999) and thereby that of the Annual General Meeting (22 June 1999) as well. In order to put the company back on sound legal footing in the interests of shareholders and third parties alike, two members of the Supervisory Board convened an extraordinary General Meeting in accordance with the Commercial Code. This General Meeting, which took place on 25 January 2000, upheld the resolutions of the two General Meetings held in 1999. The coal purchasing issue was put up for discussion again, and it was concluded that clear economic criteria must be applied to the coal supplier selection process in the future. The General Meeting also approved the Board of Director's proposal concerning sponsorship donations in 2000.

ČEZ SHARE VALUE ON THE PSE AND THE PX 50 STOCK MARKET INDEX, 1999



ISSUED SECURITIES – TYPES AND AMOUNTS

Type of Securities	ISIN	Issue Date	Interest	Maturity	Form	Face Value	Volume	Manager	Early Repayment
1st share issue [1]	CS0008441952	6. 5. 1992	x	x	registered to bearer	CZK 1,100	CZK 56.9 billion	x	x
2st share issue [2]	CZ0005104950	8. 8. 1994	x	x	registered to bearer	CZK 1,000	CZK 2.3 billion	x	x
Share split [7]	CZ0005112300	15. 2. 1999	x	x	registered to bearer	CZK 100	CZK 59.2 billion	x	x
1st bond issue	CZ0003500191	25. 6. 1993	16.50%	1998	certificate	CZK 10,000	CZK 2.1 billion	Česká spořitelna	25. 6. 1996
2nd bond issue	CZ0003500233	27. 1. 1994	14 3/8%	2001	certificate	CZK 10,000	CZK 4.0 billion	Česká spořitelna	27. 1. 1999
3rd bond issue	CZ0003500423	6. 6. 1995	11.30%	2005	registered to bearer	CZK 10,000	CZK 4.0 billion	ABN-AMRO	from 6. 6. 2000 to 6. 6. 2004
4th bond issue	CZ0003500654	27. 6. 1996	10.90%	2001	registered to bearer	CZK 10,000	CZK 3.0 billion	Komerční banka, ING Baring Capital Markets, Česká spořitelna	27. 6. 1999
5th bond issue	CZ0003500662	27. 6. 1996	11 1/16%	2008	registered to bearer	CZK 10,000	CZK 3.0 billion	Česká spořitelna, Komerční banka, ING Baring Capital Markets	from 27. 6. 2003 to 27. 6. 2006
6th bond issue	CZ0003501066	26. 1. 1999	zero coupon [5]	2009	registered to bearer	CZK 1,000,000	CZK 4.5 billion	ING Baring Capital Markets	x
7st bond issue	CZ0003501058	26. 1. 1999	9.22% [6]	2014	registered to bearer	CZK 1,000,000	CZK 2.5 billion	ING Baring Capital Markets	x
8th bond issue	CZ0003501090	7. 6. 1999	8 3/4%	2004	registered to bearer	CZK 10,000	CZK 3.0 billion	Česká spořitelna	x
1st Eurobond issue	[3]	15. 12. 1994	8 7/8%	1999	registered to bearer	USD 10,000	USD 150 million	J. P. Morgan	x
2nd Eurobond issue	[3]	20. 10. 1999	7.25%	2006	registered to bearer	EUR 1,000 EUR 10,000 EUR 100,000	EUR 200 million	Credit Suisse First Boston	x
Yankee bonds	[3]	17. 7. 1997	7 1/8%	2007	registered to bearer	USD 1,000	USD 200 million [4]	J. P. Morgan, Merrill Lynch, Salomon Brothers	x

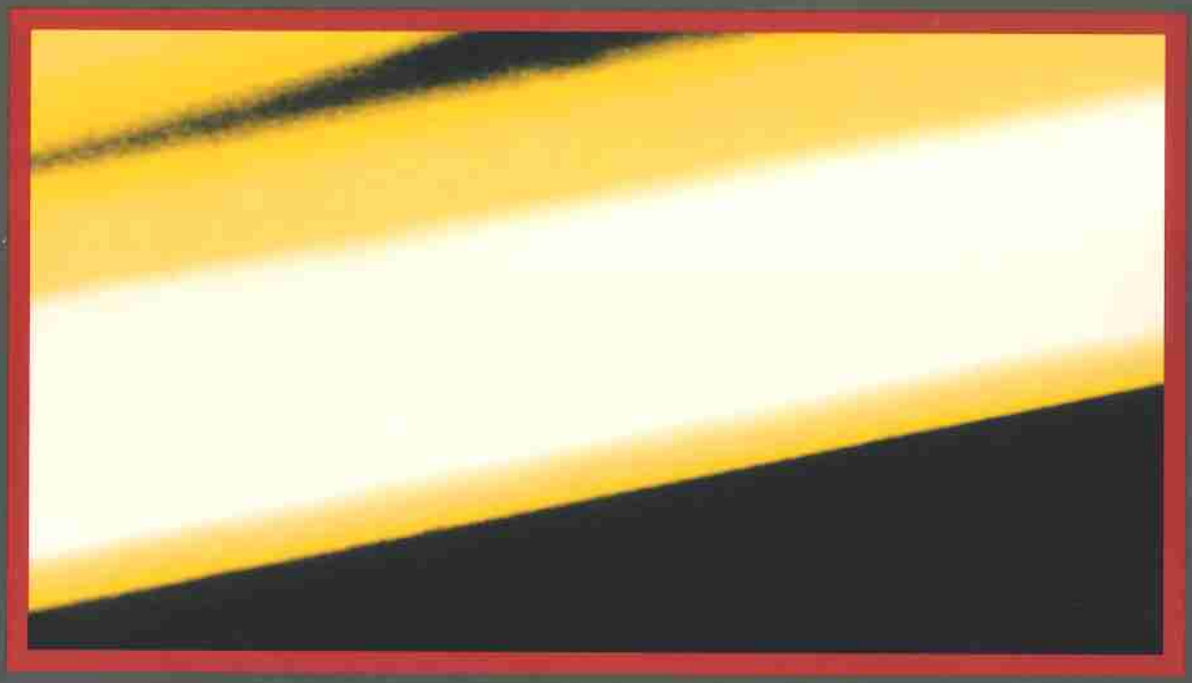
[1] Face value at time of issue CZK 1,000, by decision of the shareholder meeting of September 20, 1993 raised to CZK 1,100. Number of shares issued: 57,731,161.
[2] The number of shares issued before and after the registration of Privatization Project supplements was 2,290,665 and 2,304,569, respectively.
[3] Issued through CEZ Finance B. V.
[4] USD 22 million bought back by issuer in 1998.
[5] Yield is the difference between value of bond at issue (CZK 1.9 billion) and face value (CZK 4.5 billion).
[6] Starting in 2006, the bonds will bear interest at a variable rate defined as CPI + 4.2%.
[7] As of February 15, 1999, the first share issue (CS0008441952) and second share issue (CZ0005104950) were split into shares with face value of CZK 100 (CZ0005112300).
Numbers of shares outstanding before and after the increase in capital stock are 591,949,421 and 592,088,461, respectively.

Unpaid amount of shares issued: 0.
The company has not issued any convertible bonds.
Under the issue conditions, the bonds are not guaranteed by the State or by any bank.

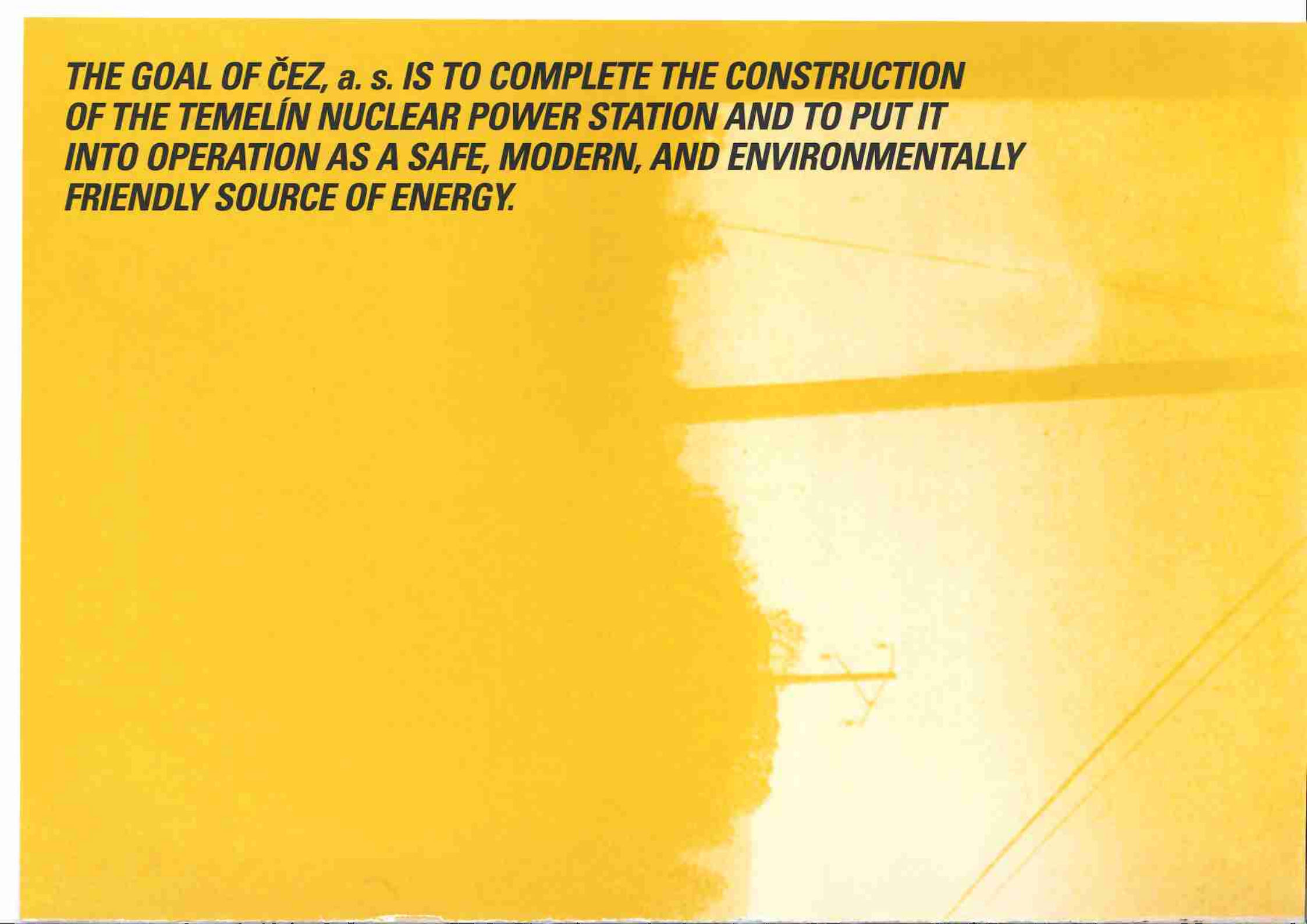
The last column of the table above shows the dates when the debtor (i.e. ČEZ) has the option to repay the bonds early. Provisions giving the creditor an early repayment option are contained in each domestic bond issue agreement except the last three. These options are exercisable in the event the debtor is not able to secure a minimum installed capacity of 7,500 MW.

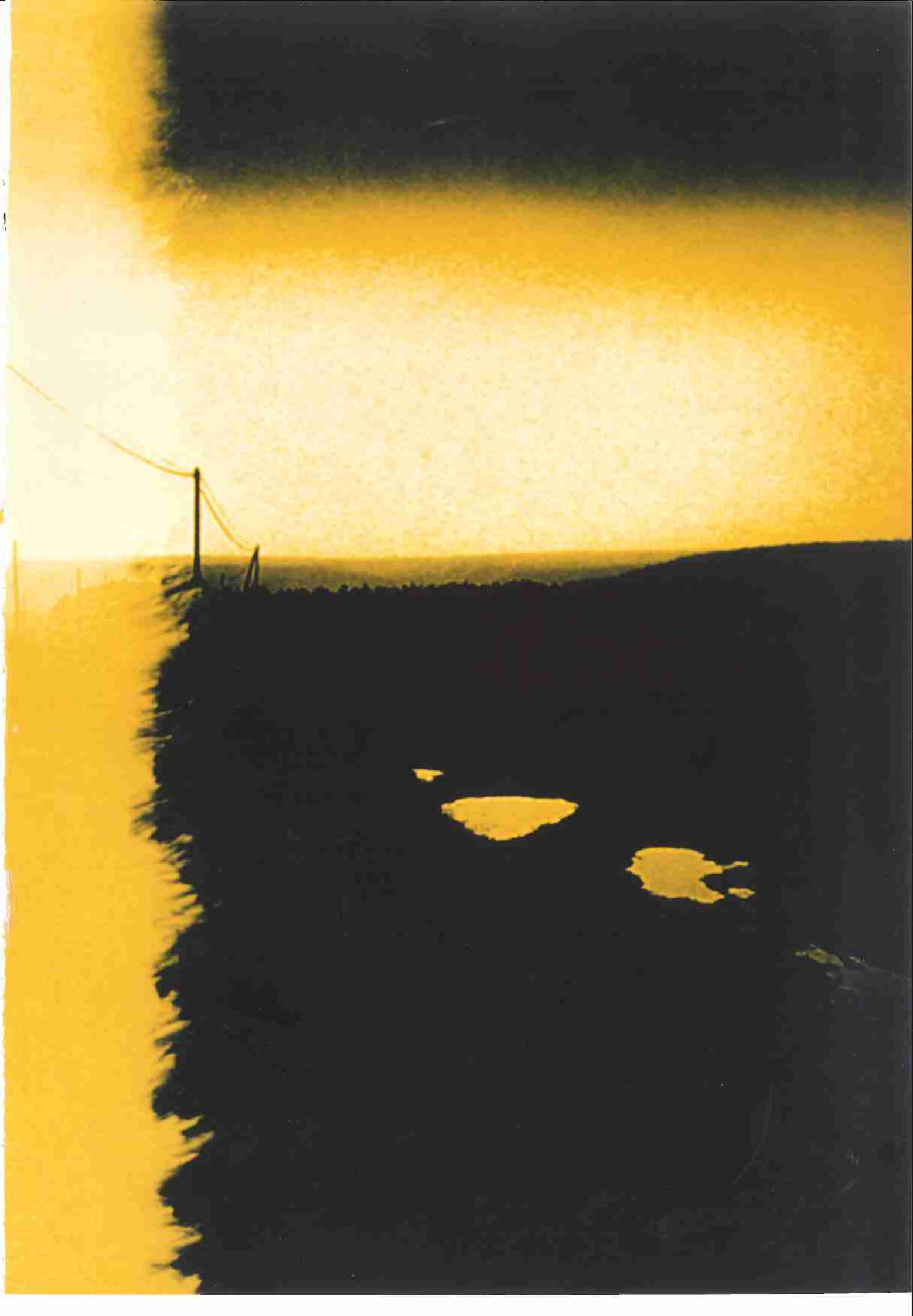
RATING

In late September, Standard & Poor's affirmed ČEZ's "BBB+" rating with a stable outlook and in early October Moody's left ČEZ's rating unchanged at "Baa1". These ratings reflect ČEZ's market position in the Czech Republic and its stable operating performance. They also take into account weaknesses such as the opaque regulatory environment, the fact that electricity pricing reform has taken longer than originally anticipated, the lacklustre performance of the Czech economy, and delays in the construction of the Temelín Nuclear Power Station.



THE GOAL OF ČEZ, a. s. IS TO COMPLETE THE CONSTRUCTION OF THE TEMELÍN NUCLEAR POWER STATION AND TO PUT IT INTO OPERATION AS A SAFE, MODERN, AND ENVIRONMENTALLY FRIENDLY SOURCE OF ENERGY.





STRATEGIES AND SELECTED PROCESSES

"FOR ME, ČEZ IS A MODERN ELECTRIC COMPANY. MODERN IN THE SENSE THAT IT IS CAPABLE OF SUCCESSFULLY MARKETING ITS PRODUCT."
(STANISLAV SVOBODA, CEO OF ČEZ, a. s. FROM 13 DECEMBER 1999 TO 26 APRIL 2000)

BUSINESS CONCEPT

The concept of ČEZ's business activity drafted in 1995 gave direction to the company's operations, gave management and employees alike a firm idea of the company's basic focus in the changing entrepreneurial environment, and set the stage for the company's long term growth and development.

This key document focused on improving the company's credibility and ensuring that it is perceived as an ethical, financially healthy and reliable partner that is radically reducing the negative impact its operations have on the environment.

Two significant changes took place in the second half of the 1990s:
- The Czech economy dipped into a recession, accompanied by a decline in demand for electricity;
- "European Parliament Directive No. 96" concerning common rules for the internal electricity market was passed and came into force in February 1999 aiming to gradually introduce competition into the market for electricity generation and distribution in the EU.

The upcoming period will require ČEZ, a. s. to undergo fundamental changes as it remakes itself into a company capable of withstanding competition in the national electricity and heat markets as well as in the ever more aggressively competitive environment of the European Union electricity market.

The business plan approved by the General Meeting of ČEZ, a. s. on 22 June 1999 sets forth the assumptions, goals, and development initiatives by which these changes will take place.

STRATEGIC DEVELOPMENT GOALS THROUGH 2005

The principal business of ČEZ, a. s. is the generation, purchase, and sale of electricity. This is given by the company's focus until now and by the fact that it has positioned itself to enjoy a long-term sustainable competitive advantage over existing and potential competitors. The accounting-purpose and managerial separation of electricity generation from the other businesses will allow us to do business on the electricity market more efficiently and more transparently.

ČEZ, a. s. also has secondary businesses that support the primary business with the goal of increasing the efficiency of primary energy use and reducing electricity and heat generation costs:
- Supply of thermal energy generated at ČEZ, a. s. co-generation plants; ČEZ, a. s. will continue to supply heat to the locations it currently supplies, since this activity gives the company a competitive advantage and ČEZ, a. s. is interested in selling heat in other locations where analysis shows there to be potential demand for district heat service and confirms that ČEZ involvement would be advantageous from a business perspective;
- Trading in by-products of electricity and heat generation processes with regard to making effective economic use of these commodities.

The ČEZ, a. s. Business Plan also sets forth goals for tertiary businesses which are to be one of the tools for mitigating risk and a means of developing and achieving a higher degree of utilization of the material and intellectual potential of the company and its employees.

In carrying out the Business Plan through 2005, ČEZ, a. s. will concentrate on the following strategic goals:

1. To complete and put into safe and reliable operation the Temelín Nuclear Power Station and create conditions for modernizing the Dukovany Nuclear Power Station with the goal of adding another approximately 10 years to its useful life while at the same time complying with Czech legislation and international safety recommendations for the facility's operation;
2. To optimize the structure of coal-fired power plant generation capacity through a program of advantageous purchases and/or acquisitions combined with the sale of all or part of certain facilities;
3. To adapt in a flexible and timely manner to competition for good business opportunities in the construction of new electricity and heat generation facilities both independently and in cooperation with other market players;
4. To increase the efficiency of energy transformation processes at ČEZ power stations;
5. To accelerate preparations for doing business in the emerging competitive environment in the domestic and European electricity markets;
6. To implement a system of safety management and environmental protection;
7. To put in motion business processes that move the company toward more coordinated decision-making, useful concentration of functions and bringing about a marked increase in the company's market focus;
8. To make operating cost and investment spending management more effective;
9. To give employees the training necessary to prepare them for doing business in a competitive environment, using effective human resource management processes;
10. To support the fulfillment of the Effective Internal Communications Program.

The company's developmental strategies are supported by a Change Program that focuses on preparing the company for fundamental changes in the external environment as the electricity market is gradually liberalized.

QUALITY SYSTEM

One of management's priorities is ensuring the safe and reliable operation of generation equipment while minimizing negative environmental impacts. Therefore, in conjunction with the company's implementation of a system of integrated management of quality, environmental issues and safety, the company updated its Quality Policy and at the same time issued its Safety Policy and Environmental Policy documents.

The implementation of the above mentioned Policies will gradually prepare all ČEZ, a. s. power stations for certification under the ČSN EN ISO 14001 standard (Environmental Management Systems). The first group of power stations is slated to undergo certification in 2000.

The process-oriented management model currently being implemented makes use of the recommendations of the ČSN EN ISO 9000 and 14000 standards. In the nuclear area, the model respects the recommendations of the International Atomic Energy Agency and applicable legislation, especially the Czech Republic's "Nuclear Act".

SYSTEM OF INTERNAL CONTROL

The Board of Directors, in cooperation with the Supervisory Board and other levels of management, is systematically developing the company's system of internal control, consisting primarily of risk management and risk control, flows of communication and information, effectiveness monitoring of the management and control system, and the creation of a environment compatible with and conducive to the entire spectrum of control activities and procedures.

The company's internal audit department is focused on monitoring the effectiveness of the internal control system. Work performance and measures proposed to correct shortcomings and points of weakness or increased risk are regularly discussed by the Board of Directors' Audit Committee, together with the comprehensive verification activity of the company's external auditors, Arthur Andersen Česká republika, k. s.

This allows both the statutory body and executive management to focus the internal control system on assessing the risks ensuing from the internal environment and the company's own activities. Priority is given to ensuring that all the company's assets are protected at a level that complies with internationally recognized standards.

FINANCIAL RISK MANAGEMENT POLICIES

ČEZ, a. s. regularly analyzes the risk exposure of its debt portfolio and its income and spending in foreign currencies with regard to movements in currency exchange and interest rates. By actively hedging potential financial risks, the company keeps the overall risk exposure of its foreign-currency liabilities within set limits.

With the goal of increasing transaction safety, all foreign currency payment functions were transferred from the organizational units to Headquarters. Currently a similar measure is being considered for payments in the domestic currency.

ČEZ's overall indebtedness, excluding provisioning, in domestic and foreign currencies advanced to 35.2% from its 1998 value of 32.8%. Thanks to active hedging throughout the year, the ratio of long-term borrowing in foreign currencies to overall long-term debt was 29% as of 31 December 1999, as opposed to 63% before hedging, while a year earlier this ratio was 40%, or 57% before hedging. In 1999, CZK 20.7 billion in long-term currency hedging transactions and CZK 9.5 billion in long-term interest rate swaps were realized.

In the area of short-term hedging of foreign-currency expenses and income, the company began to use options strategies in addition to forward transactions.

INSURANCE

ČEZ, a. s. carries property and casualty insurance covering all material risks. The insurance is designed to cover catastrophic risks in particular.

Insurance policies cover primarily the property risks at the Dukovany Nuclear Power Station and at the fossil and hydro power stations. The company also carries a policy that covers the Temelín Nuclear Power Station construction site.

The company also carries casualty insurance that covers third-party liability in conjunction with the "Nuclear Act". For example, this category of insurance protects the company from liability

- for "nuclear" damages in conjunction with the transport of fresh nuclear fuel to the Dukovany and Temelín Nuclear Power Stations and the storage of nuclear material in the Temelín Nuclear Power Station compound;
- for "nuclear" damages caused by the operation of the Dukovany Nuclear Power Station.

In conjunction with preparations for trial operation of the Temelín Nuclear Power Station, negotiations were held with the company's domestic insurer (the Office of the Czech Nuclear Pool) and with representatives of foreign insurers concerning the preparation of risk inspections and insurance policies to cover property and liability for "nuclear" damages at this facility. In accordance with "Nuclear Act" requirements, an interim insurance policy covering liability risks from the operation of the Temelín Nuclear Power Station was signed in December 1999 and will take effect on the day when fuel is loaded into the reactor. The final language of the insurance contract will be finalized in negotiations among ČEZ, a. s., Westinghouse, and the insurer prior to the date for loading fuel into the first reactor block.

IT DEVELOPMENT

ČEZ, a. s. traversed the Y2K calendar rollover problem-free, providing for the generation and supply of electricity and heat without interruption. Approximately CZK 90 million was spent on Y2K preparations, of which nearly 70% was spent on power station control and ancillary systems. Planned shutdowns of generation equipment were held to carry out the necessary adjustments and tests, ensuring that there was no impact on supplies of electricity and heat throughout the entire year.

In the finance area, an upgrade of the CODA accounting system was installed, allowing for centralized data processing. Work on the ISE Project (power station information system) went forward with the installation of the first three modules at two power stations for operational testing. Work is also progressing on unifying the materials inventory numbering system (now nearly 80% complete), a job which must be finished before further ISE modules can be installed. Attention was also paid to information flows in payments (centralized processing of international payments using new SW format) and electronic data exchange with banks (EDIFACT format). A new system (C2000 Central) was put into operation for processing documentation and invoicing large-volume customers.

In the course of the company's efforts to unify the company's IT infrastructure, a major step was taken towards increasing the system's operational security. A unified backup system was implemented in 1999 at eight organizational units, with the remainder of the implementation completed in early 2000.

DEVELOPMENT OF TELECOMMUNICATIONS INFRASTRUCTURE

In 1999, ČEZ, a. s. completed a substantial portion of the telecommunications infrastructure roll-out program. The remainder will be completed in 2000.

The Synchronous Digital Hierarchy (SDH) was completed and put into operation and over 250 km of cable was installed in the fiber network. At present approximately 2,400 km of fiber cables are in operation (out of a the target of 2,500 km).

In October 1999 the company took a step toward fulfilling ČEZ, a. s. strategy and transformation goals by establishing the subsidiary telecommunications company CEZTel, a. s., which is 100% owned by ČEZ, a. s. The newly established company's primary business will be to provide telecommunications services to ČEZ, a. s. and ČEPS, a. s. Any remaining telecommunications capacity will be sold on the open market.

COMMUNICATIONS STRATEGY

As it worked toward fulfillment of its long-term communications strategy in 1999, ČEZ, a. s. endeavored to be perceived by the public as a strong, modern, dynamic and competitive Czech company of European caliber and as a credible firm striving to build a conscientious relationship to nature and the environment.

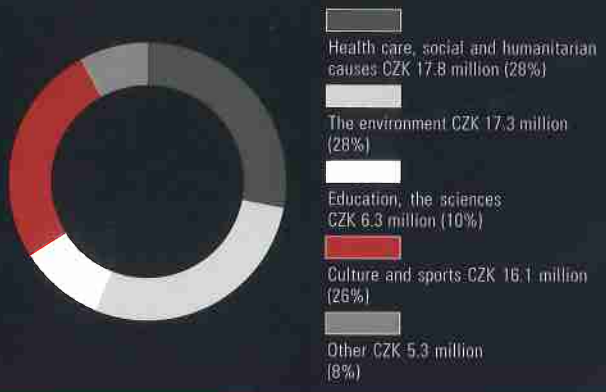
ČEZ, a. s. was awarded first prize in the "Paegas Signum Temporis 1999 – Openness in Information Disclosure Award". This award is given to the company that enjoys the highest overall trust of the professional community, providing high-quality, up-to-date information about itself and presenting itself in the media with the same degree of responsibility. The company's willingness to disclose information was also demonstrated by the fact that ČEZ's annual report took second place in the "Annual Report of the Year 1998" competition, placing first in the categories "Content", and "Energy Sector". This strategy also includes publishing quarterly financial reports. The company also received recognition for its efforts in the form of rankings performed by the CZECH TOP 100 Association. ČEZ, a. s. placed third in the category "100 Most Admired Companies in the Czech Republic in 1999" and ranked second in the category "100 Biggest Companies in the Czech Republic in 1998".

Also contributing to better internal communications at the company was a change in the content and format of the monthly ČEZ Bulletin.

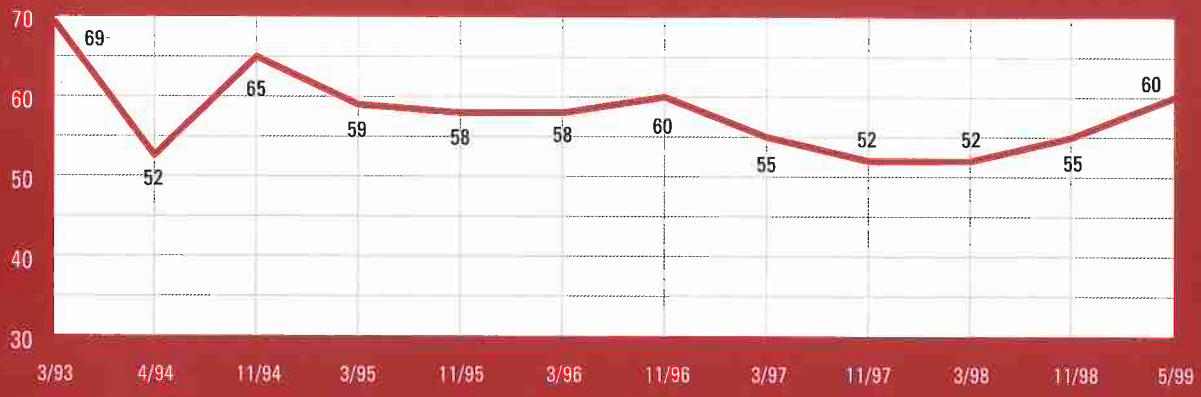
The campaign "We have no secrets - come and see for yourself" had the goal of publicizing the company's five information centers. Visitorship to the centers rose by around 50% over the previous year. A travelling exhibit - another part of the campaign - spent time in 23 Czech cities to help children and young people learn about nuclear energy and point out its advantages and drawbacks.

Surveys organized by STEM demonstrate that the Czech public has a positive opinion on the completion and commissioning of the Temelín Nuclear Power Station.

SPONSORSHIP DONATIONS



PUBLIC APPROVAL OF COMPLETION OF TEMELÍN NUCLEAR POWER STATION (%)



The consultation services offered free of charge by the ČEZ Energy Consulting Center are sought after. The campaign "Our advice isn't expensive - it'll teach you how to save" helped increase visitorship to the Center by 20%. A total of 5,800 visitors received advice on how to save on their electric bills.

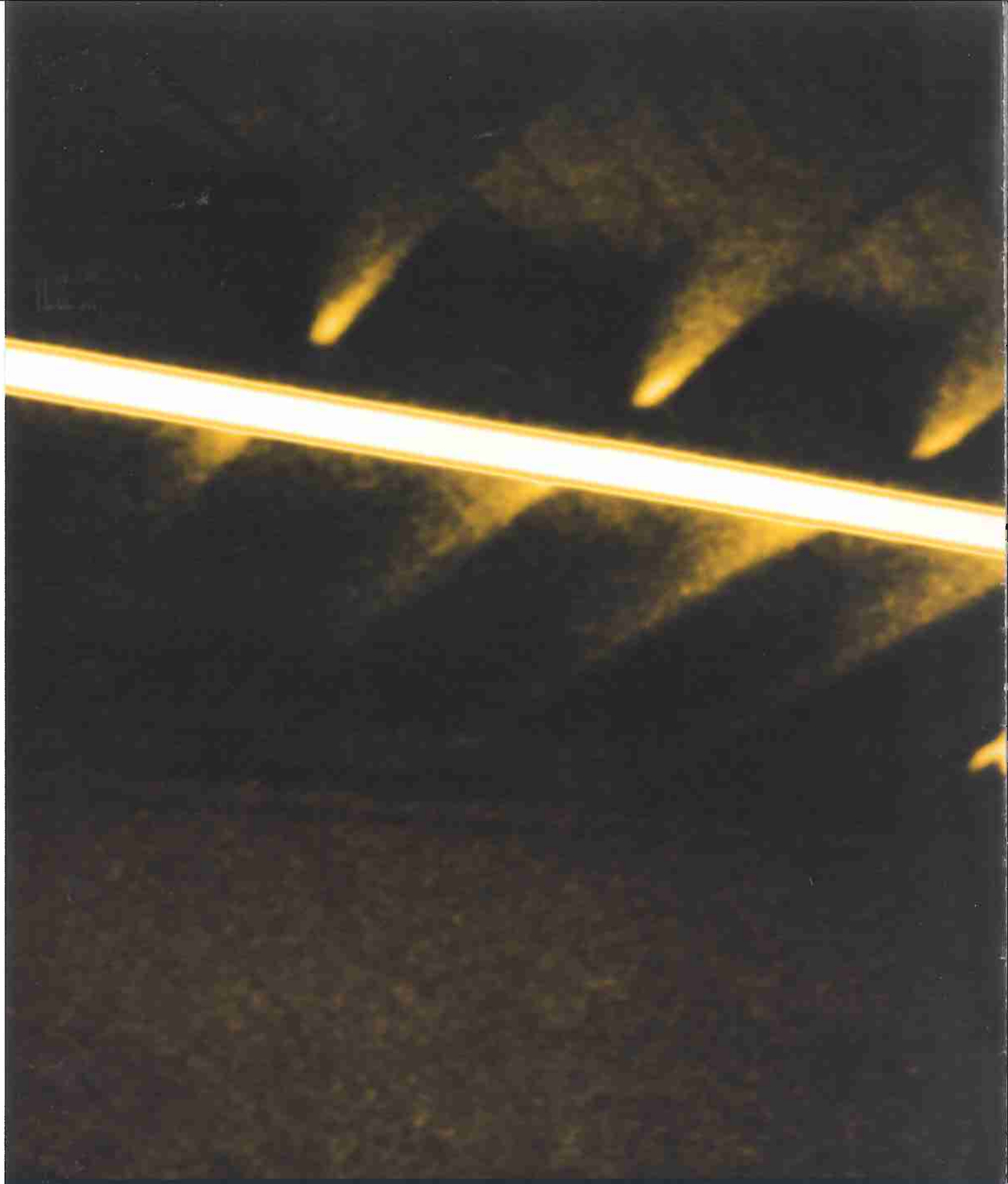
ČEZ, a. s. is the only industrial corporation in the Czech Republic to actively support education and science in technical fields. In 1999 ČEZ, a. s. donated over 350,000 informational and educational publications to approximately 4,000 schools.

SPONSORSHIP PROGRAM

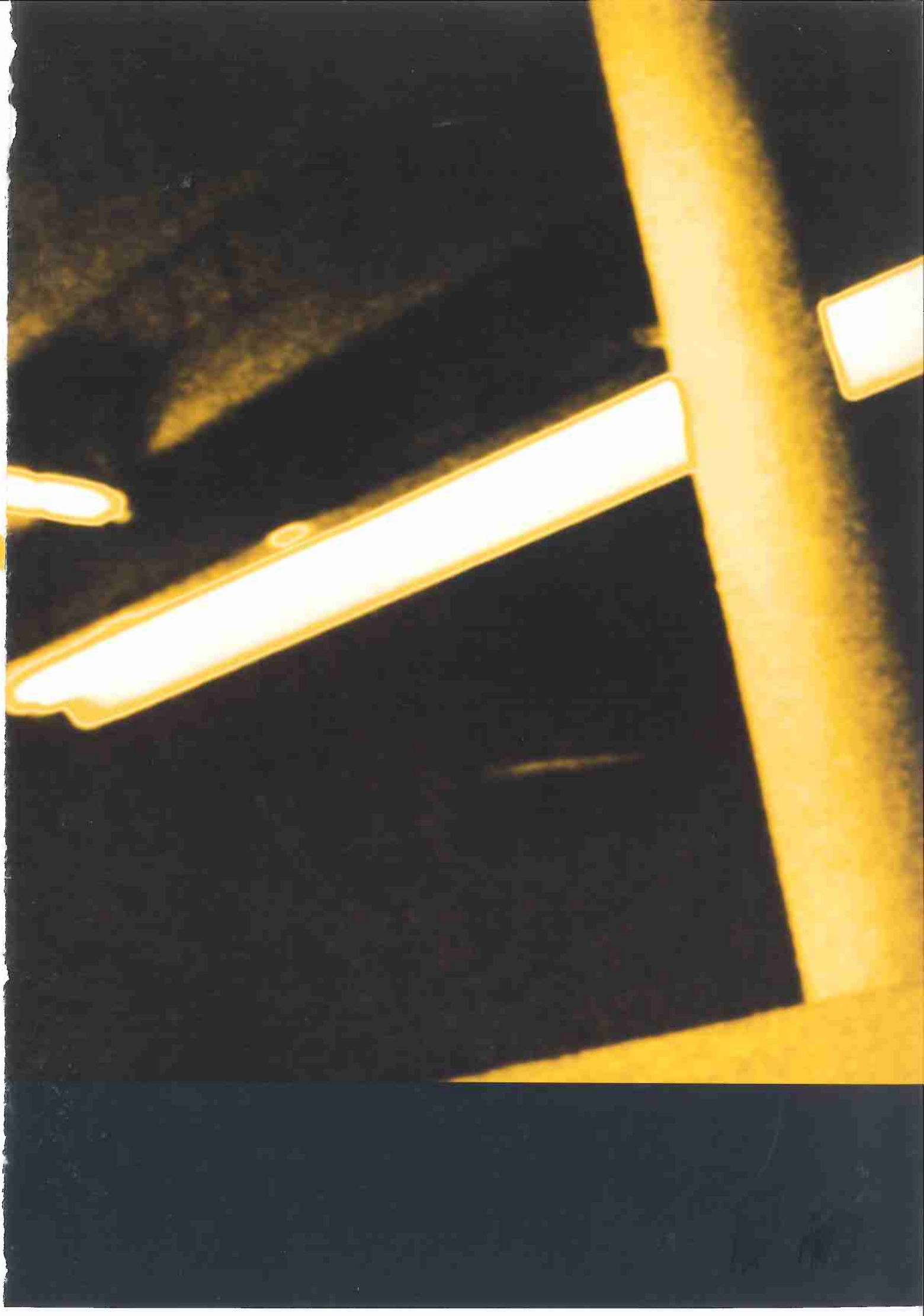
The 1999 budget for the sponsorship program was CZK 100 million. Due to an amendment to the Articles of Association passed by the General Meeting in June 1999 giving the General Meeting authority over the sponsorship program, only CZK 62.8 million of this amount was actually spent.

The amount expended on centrally managed sponsorship activities (for example, support for the Olga Havlová Good Will Committee, the Czech Wind Energy Association, the Motol Faculty Hospital, the Prague Optomology Clinic, and a number of other organizations) was CZK 17.8 million.

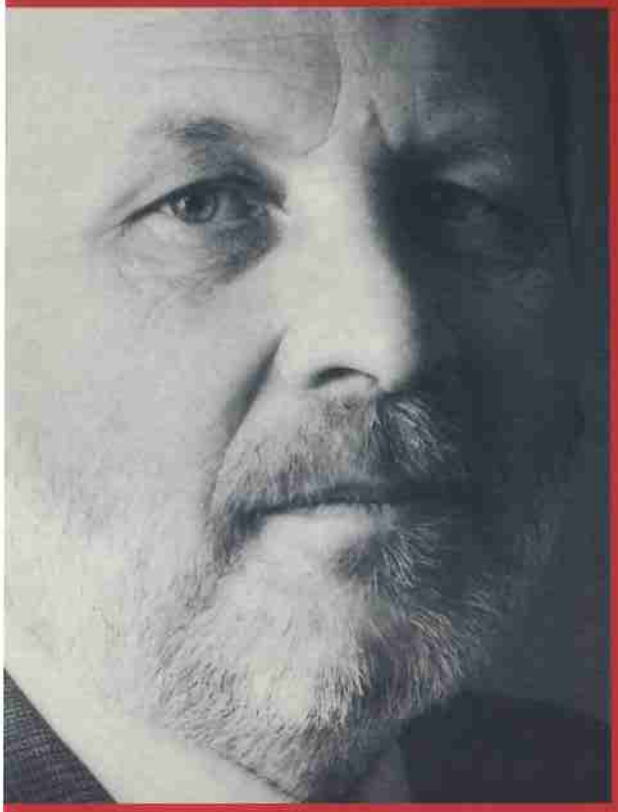
The ČEZ sponsorship program puts special priority on smaller-scale activities that support the regions in which the company operates power generation facilities. This area received CZK 45 million. This part of the program supports health and social care, education programs, programs for primary schools, secondary schools and universities, energy conservation projects and alternative energy sources, as well as a host of other activities.



ČEZ, a. s. IS A STRONG, RELIABLE CZECH COMPANY CAPABLE OF COMPETING OVER THE LONG TERM IN THE LIBERALIZED EUROPEAN ELECTRICITY MARKET.



GENERATION AND SUPPLY OF ELECTRICITY / HEAT



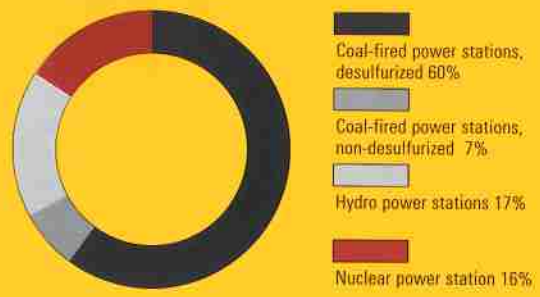
"ONLY LOW COSTS OF PRODUCTION LEAD TO THE COMPANY'S LONG-TERM COMPETITIVENESS."
(JAN KRENK, EXECUTIVE DIRECTOR OF ČEZ, a. s. FOR PRODUCTION)

PRODUCTION BASE

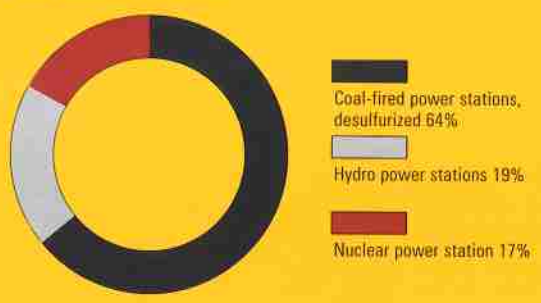
The primary business of ČEZ, a. s. is the generation of electricity in coal-fired, nuclear and hydro plants. The locations of the company's generation facilities and the proportions of the various facility types in total installed capacity at 31 December 1998 and 1999 can be seen in the graphs on this and the following pages.

ČEZ INSTALLED POWER GENERATION CAPACITY

31 DECEMBER 1998



31 DECEMBER 1999



ČEZ INSTALLED CAPACITY BY TYPE OF GENERATION FACILITY AT 31 DECEMBER (MW)

	1998	1999
Coal-fired power stations, desulfurized	6,517	6,517
Coal-fired power stations, non-desulfurized	750 *)	0
Hydro power stations	1,872	1,873
Nuclear power station	1,760	1,760
Solar and wind power stations	1	1
Total installed capacity	**10,900**	**10,151**

*) *In accordance with "Clean Air Act" requirements this "non-desulfurized" generation capacity was shut down as of 1 January 1999.*

FOSSIL POWER STATIONS AT 31 DECEMBER 1999

Power station	Type of fuel	Installed capacity (MW)	Put into operation	Desulfurized
Mělník II (Unit No. 9,10)	brown coal	2 x 110	1971	1998
Mělník III (Unit No. 11)	brown coal	1 x 500	1981	1998
Tisová I	brown coal	2 x 55; 1 x 50; 1 x 12	1959 – 1960	1996 – 1997
Tisová II	brown coal	1 x 100	1961	1997
Poříčí II	black coal brown coal	3 x 55	1957 – 1958	1996, 1998
Náchod *)	brown coal	1 x 5; 1 x 12	1950, 1969	1997
Dvůr Králové *)	brown coal	1 x 6.3; 1 x 12	1955, 1963	1997
Dětmarovice	black coal	4 x 200	1975 – 1976	1998
Chvaletice	brown coal	4 x 200	1977 – 1978	1997, 1998
Ledvice II	brown coal	2 x 110	1966	1996
Ledvice III	brown coal	1 x 110	1968	1998
Tušimice II	brown coal	4 x 200	1974 – 1975	1997
Počerady	brown coal	5 x 200	1970 – 1971, 1977	1994, 1996
Hodonín	lignite	1 x 50; 1 x 55	1954 – 1958	1996 – 1997
Prunéřov I	brown coal	4 x 110	1967 – 1968	1995
Prunéřov II	brown coal	5 x 210	1981 – 1982	1996
Fossil power stations total		**6,517**		

*) *District-heat plants are part of the Poříčí organizational unit and emissions limits are complied with by burning low-sulfur fuels and use of natural gas as a supplementary fuel.*

NUCLEAR POWER STATIONS AT 31 DECEMBER 1999

Nuclear power station in operation	Installed capacity (MW)	Put into operation
Dukovany	4 x 440	1985 – 1987
Nuclear power station total	**1,760**	

Nuclear power station under construction	Installed capacity (MW)	Commissioning planned for
Temelín	2 x 1,000	Unit No. 1 – 2001 Unit No. 2 – 2002

HYDRO POWER STATIONS AT 31 DECEMBER 1999

Run of river and reservoir hydro power stations	Installed capacity (MW)	Put into operation
Lipno I	2 x 60	1959
Lipno II	1 x 1.5	1957
Hněvkovice	2 x 4.8	1992
Kořensko	2 x 1.9	1992
Orlík	4 x 91	1961 – 1962
Kamýk	4 x 10	1961
Slapy	3 x 48	1954 – 1955
Štěchovice I	2 x 11.25	1943 – 1944
Vrané	2 x 6.94	1936
Štvanice *)	3 x 1.89	1987
Mohelno	1 x 1.2; 1 x 0.56	1977; 1999
Želina	2 x 0.315	1994
Total	728	

Pumped storage hydro power stations		
Štěchovice II	1 x 45	1947 – 1948
Dalešice	4 x 112.5	1978
Dlouhé Stráně	2 x 325	1996
Total	1,145	
Pumped storage hydro power stations total	**1,873**	

*) *Until 29 February 2000 ČEZ, a. s. was only the operator, not the owner of this power station. Effective 1 March 2000 the power station is operated by its owner.*

WIND POWER STATIONS AT 31 DECEMBER 1999

	Installed capacity (MW)	Put into operation
Mravenečník (Jeseníky)	1 x 0.220 1 x 0.315 1 x 0.630	1998
Wind power stations total	**1.165**	

SOLAR POWER STATION AT 31 DECEMBER 1999

	Installed capacity (MW)	Put into operation
Mravenečník (Jeseníky)	1 x 0.01	1998
Solar power station total	**0.01**	

PROCUREMENT OF FUEL FOR ČEZ, a. s. FOSSIL POWER STATIONS

Most fuel supplies for ČEZ's fossil power stations were procured under mid-term framework purchase agreements with major suppliers (Severočeské doly, a. s., Mostecká uhelná společnost, a. s., Sokolovská uhelná, a. s., and OKD, a. s.). Specific supply conditions were set forth in annual purchase agreements. This allowed us to build long-term partnership relationships with coal companies while at the same time reacting to developments in the Czech economy. In addition to the medium term agreements mentioned above, ČEZ, a. s. also has a long-term framework agreement with Severočeské doly, a. s. concerning supplies of coal until the year 2015.

As a result of the stagnating economy and increased electricity generation by independent producers, 1999 saw electricity generation at ČEZ facilities fall short of both plan and actual figures from past years. This made it clear as early as the first quarter of 1999 that it would not be possible to absorb the entire contracted-for volume of coal from all suppliers. ČEZ, a. s. reacted to this situation by increasing electricity exports in cooperation with several coal companies. At mid-year amendments were signed to the agreements with OKD, a. s., Severočeské doly, a. s. and Sokolovská uhelná, a. s. setting forth lower prices for a portion of the contracted-for coal volume, allowing us to increase electricity exports.

The only major supplier with which the company was unable to come to a similar agreement was Mostecká uhelná společnost, a. s. The application of economic effectiveness criteria led to lower utilization of coal from this supplier.

In October the Bureau for Protection of Economic Competition commenced administrative proceedings on allegations that the decrease in coal purchases from Mostecká uhelná společnost, a. s. in 1999 was in violation of the "Act on Protection of Economic Competition". A decision of this Bureau issued in January 2000 ordered ČEZ, a. s. to pay a fine of CZK 10 million pursuant to Section 9(3) of the above mentioned Act for abuse of its dominant position in the relevant market for brown coal for use in the generation of electricity. In February 2000 ČEZ, a. s. appealed this decision to the Bureau for Protection of Economic Competition. In case of failure the company intends to request the appropriate courts to review this decision to determine its legality.

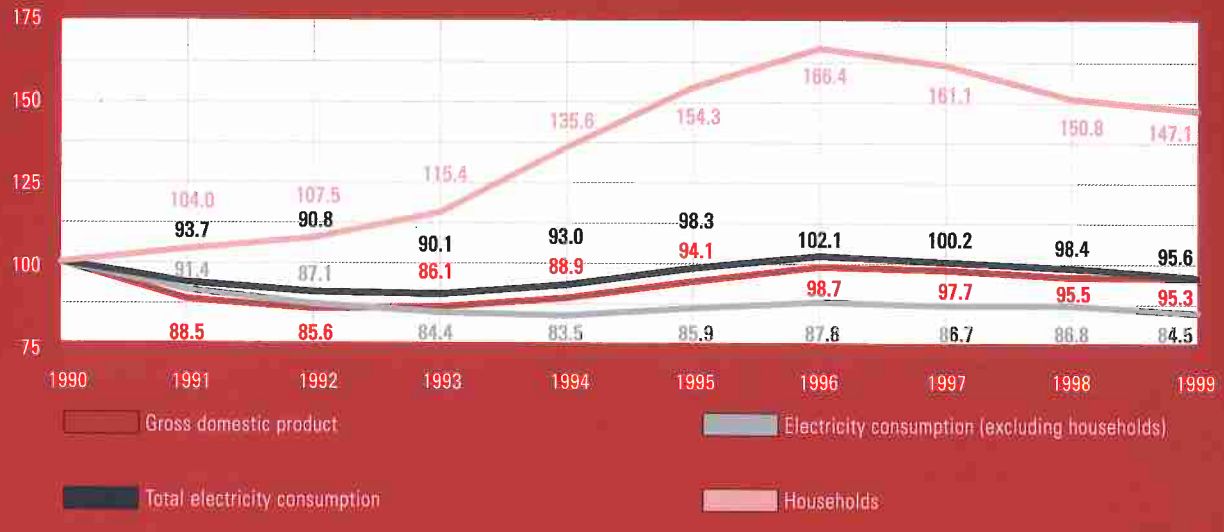
If the loss of domestic market share had not been made up for by increased electricity exports, the amount of electricity generated in ČEZ fossil power stations would have been 3.9 TWh less.

With regard to unfavorable developments leading to lower extraction of brown coal for use in power generation in the Czech Republic, a number of negotiations were held with suppliers to ensure both their economic stability and a viable price for ČEZ, a. s. in 2000 and future years. After complex negotiations a compromise solution was reached and in 1999 purchase agreements were signed for 2000 with Severočeské doly, a. s., Sokolovská uhelná, a. s., and OKD, a. s. An agreement with Mostecká uhelná společnost, a. s. was signed in February, 2000.

In addition to the companies already mentioned, fuel supply purchase agreements were also signed with the companies Lignit Hodonín, s. r. o. and Gemec, s. r. o. in 2000.

ELECTRICITY CONSUMPTION IN THE CZECH REPUBLIC

COMPARISON OF GROSS DOMESTIC PRODUCT WITH ELECTRICITY CONSUMPTION IN THE CZECH REPUBLIC (1990 = 100%)

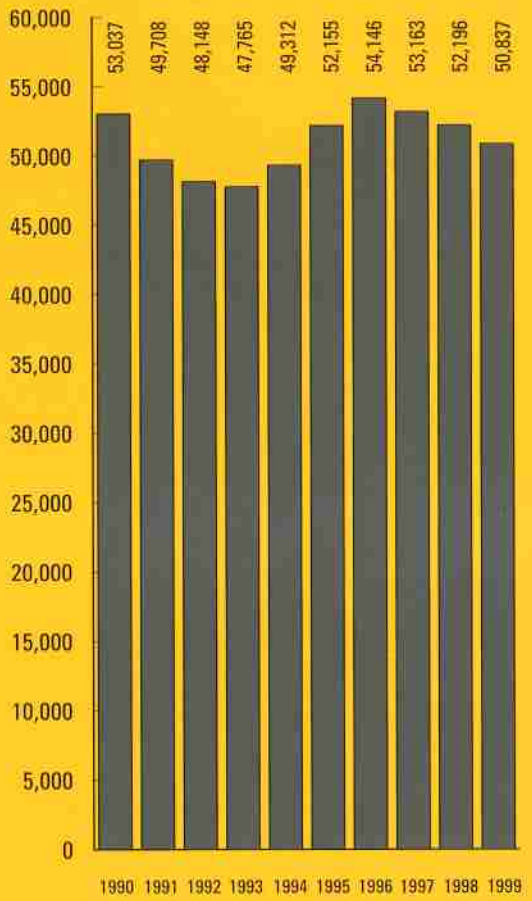


The above graph includes newly published (March 2000) Czech Statistical Office numbers on gross domestic product which, due to a change in methodology, differ substantially from numbers published in past years.

The transformation of the Czech economy continued in 1999. At the same time, the country's problems with incomplete restructurings and privatizations persisted. In the first quarter of last year GDP contracted by 4.5% compared with the same period a year earlier. This was followed by moderate economic growth starting in the second quarter, driven primarily by exports of goods and services and accompanied by growth in both public and private consumption. Even so, gross domestic product fell 0.2% overall for the year.

Declining performance of the economy, ongoing changes in its structure, and the population's reaction to electricity price hikes in 1998 caused a further decline in electricity consumption, which in 1999 retreated to pre-1995 levels.

ELECTRICITY CONSUMPTION IN THE CZECH REPUBLIC OVER TIME (GWh)



CONSUMPTION AND GENERATION OF ELECTRICITY OVER TIME (%)

	1993	1994	1995	1996	1997	1998	1999
Year-on-year electricity demand index	99.2	103.2	105.8	103.8	98.2	98.2	97.4
ČEZ, a. s. share in meeting electricity demand in Czech Republic	74.3	73.7	76.9	80.0	78.2	76.4	72.9
Year-on-year index of electricity generated							
– in Czech Republic	99.3	99.7	103.6	105.6	100.5	100.8	98.8
– at ČEZ, a. s.	97.4	97.7	102.2	104.1	99.5	99.8	95.5

The impact of lower electricity demand was partially mitigated by electricity exports exceeding imports. Overall, electricity imports to the Czech Republic increased by 17.5% over the previous year (imports by ČEZ, a. s. increased by 7.6% only), while overall exports rose by 26.0% (exports by ČEZ, a. s. increased by 28.2%). Czech Republic electricity generation fell for the first time since 1994 by 1.2% on the previous year.

CZECH REPUBLIC – ELECTRICITY EXPORTS AND IMPORTS (GWh)

	1993	1994	1995	1996	1997	1998	1999	Index 99/98
Import	903	1,593	2,539	3,090	2,565	2,069	2,431	117.5%
Export	3,007	2,038	2,121	3,093	3,753	4,530	5,707	126.0%
Balance	-2,104	-445	418	-3	-1,188	-2,461	-3,276	133.1%
Transit	5,096	3,396	2,421	3,238	2,995	2,604	1,968	75.6%

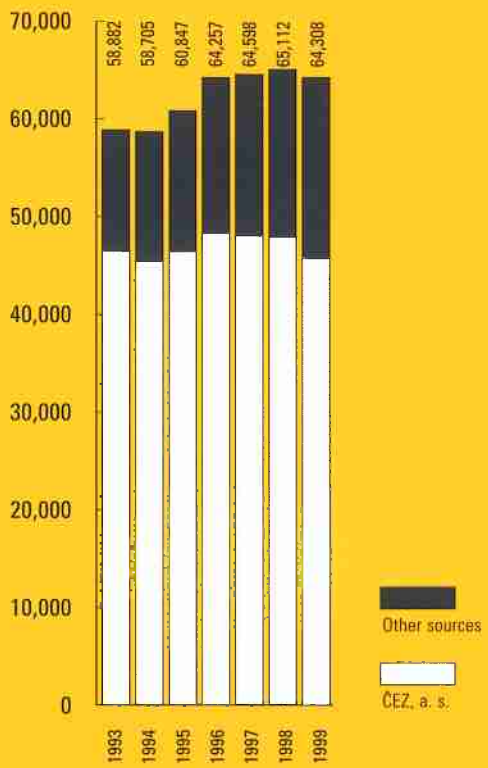
ELECTRICITY GENERATION

INSTALLED CAPACITY OF GENERATION FACILITIES AND GENERATION OF ELECTRICITY IN THE CZECH REPUBLIC AND AT ČEZ, a. s.

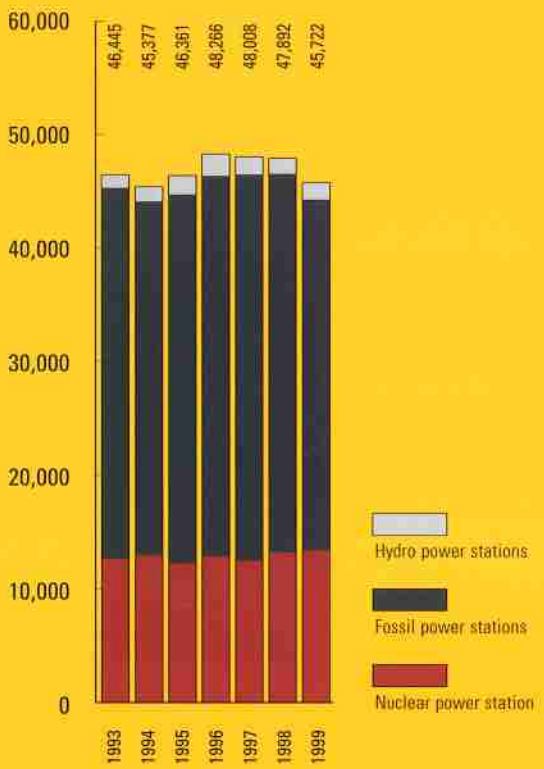
	Units	1993	1994	1995	1996	1997	1998	1999	Index 99/98
Czech power system annual peak load	MW	9,288	9,632	10,415	10,814	10,814	10,149	9,926	97.8%
	date	1. 12.	19. 12.	6. 12.	25. 1.	7. 1.	10. 12.	1. 2.	x
Czech power system annual peak load adjusted to normal temperature and 50 Hz	MW	8,912	9,547	10,144	10,438	10,368	9,778	9,877	101.0%
	date	1. 12.	19. 12.	6. 12.	25. 1.	7. 1.	10. 12.	4. 2.	x
Czech power system installed capacity at 31 December 1999	MW	14,227	13,826	13,793	14,937	15,073	15,293	15,267	99.8%
of which ČEZ, a. s.	MW	10,655	10,235	10,184	10,999	10,999	10,900	10,151	93.1%
	%	74.9	74.0	73.8	73.6	73.0	71.3	66.5	x
Total electricity generated in the Czech Republic	GWh	58,882	58,705	60,847	64,257	64,598	65,112	64,308	98.8%
of which ČEZ, a. s.	GWh	46,445	45,377	46,361	48,266	48,008	47,892	45,722	95.5 %
	%	78.9	77.3	76.2	75.1	74.3	73.6	71.1	x

In 1999 the installed capacity of generation sources in the Czech Republic declined by 0.2% on 1998. Overall electricity generation at all sources in the Czech Republic declined by 804 GWh (1.2%). However, generation by ČEZ, a. s. declined by 2,170 GWh (4.5%), while generation at other sources increased by 1,366 GWh (3.8%), resulting in a fall in ČEZ's share in overall Czech Republic electricity generation from 73.6% to 71.1%.

ELECTRICITY GENERATION IN THE CZECH REPUBLIC (GWh)

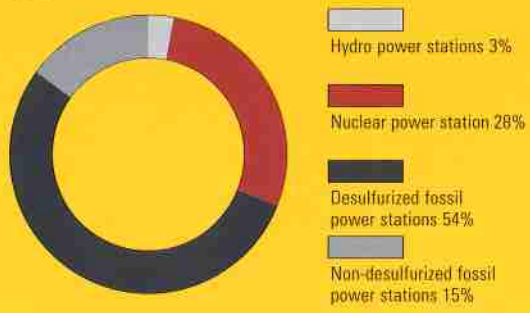


ELECTRICITY GENERATION AT ČEZ, a. s. (GWh)

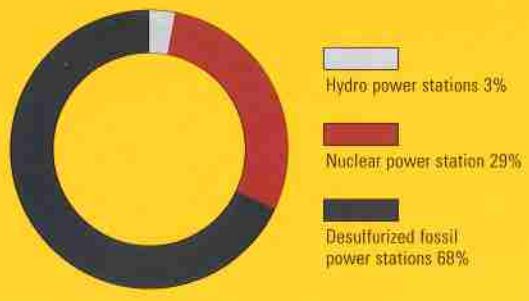


ČEZ, a. s. ELECTRICITY GENERATION BY SOURCE

1998



1999



(GWh)	1998	1999
Fossil power stations, desulfurized	25,949	30,887
Fossil power stations, non-desulfurized	7,396	0
Hydro power stations	1,369	1,478
Nuclear power station	13,178	13,357
ČEZ, a. s. power generation total	**47,892**	**45,722**

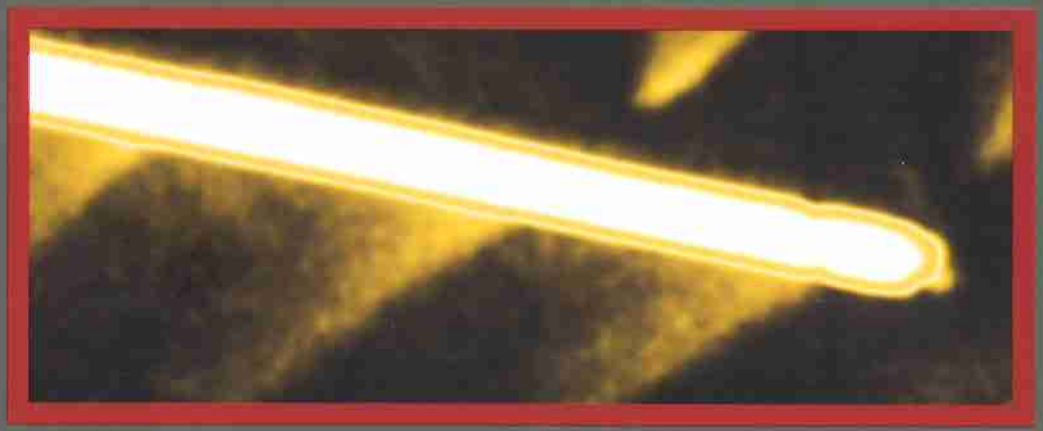
In 1999 ČEZ, a. s. produced electricity using environmentally friendly sources only. With the completion of its generation plant environmental compliance program (desulfurization, fluidized-bed boilers), ČEZ, a. s. met "Clean Air Act" requirements on time.

By completing planned repairs early and minimizing the failure rate, the company was able to generate more electricity in the Dukovany Nuclear Power Station. Power generation at this facility in 1999 was 13.4 TWh, a record.

COST OF ELECTRICITY AND HEAT SUPPLY

Despite a number of measures (focused primarily on reducing energy consumed per unit of fuel, work force cuts, etc.) the cost of electricity and heat supplied by ČEZ, a. s. has exhibited a general growth trend over the past few years. The reasons for this are the following:

- across-the-board inflationary growth in the prices of basic inputs (especially services),
- inclusion of cost of provisioning for future decommissioning of nuclear facilities,
- growing fixed-asset depreciation charges as major construction projects are completed,
- the systematic roll-out of new technologies in operations, focused on protecting the environment (e.g., flue gas desulfurization and dry removal of ash and desulfurization process waste at fossil power stations).

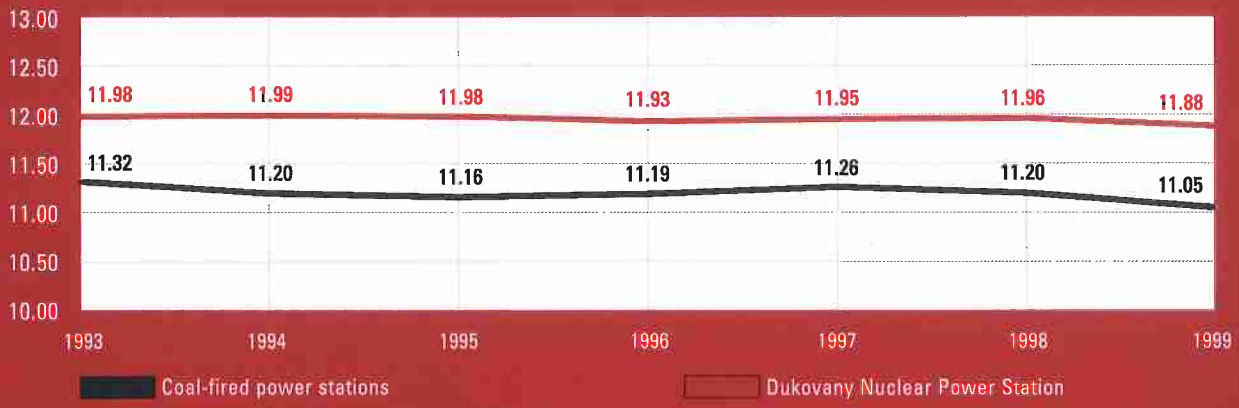


EFFICIENCY INDICATORS AND FAILURE RATES

The heat rate at the fossil plants was reduced to its lowest level yet, despite an increase in on-site electricity consumption by add-on flue-gas cleaning technology and the processing of waste products. The record-low heat rate at the fossil plants was achieved through step-by-step modernizations of various technologies, better sealing of the air-intake and flue-gas exhaust tracts and fittings. Greater utilization of high-efficiency sources (the Mělník III and Dětmarovice Power Stations) and increased electricity exports in the second half also contributed to the decline.

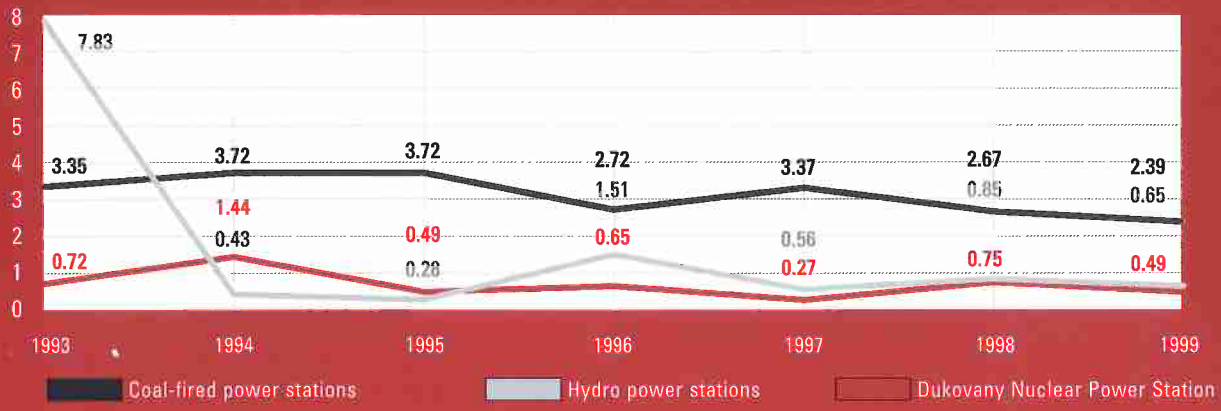
The heat rate at the Dukovany Nuclear Power Station amounted to its lowest value in the history of the facility. This achievement was due mainly to the revamp of the condensation section of Unit No. 1.

DEVELOPMENT OF HEAT RATE AT COAL-FIRED POWER STATIONS AND THE DUKOVANY NUCLEAR POWER STATION (GJ/MWh)

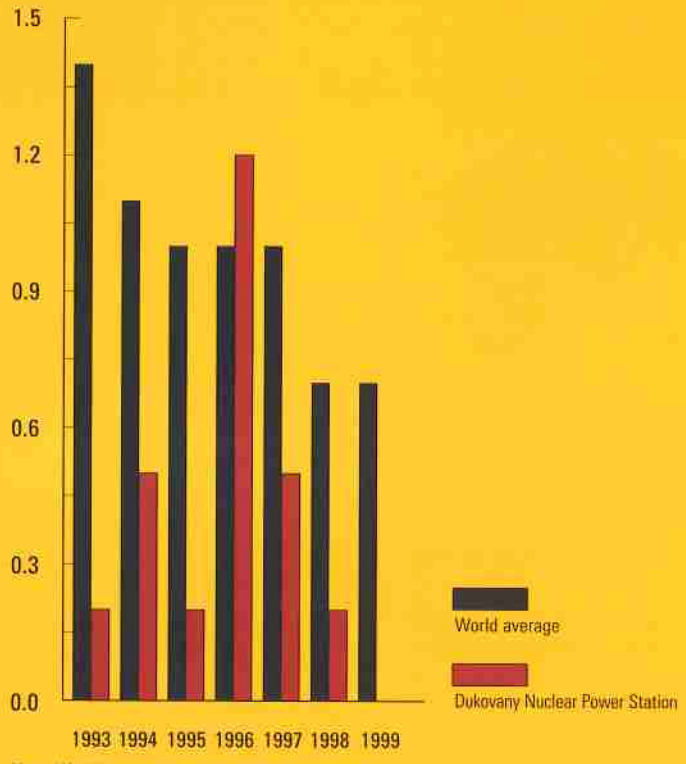


The lowest ever network control failure rate in ČEZ, a. s. history was achieved at the coal-fired power stations, thanks primarily to better repairs and maintenance leading, amongst other achievements, to the reliable operation of the 500 MW unit at the Mělník III Power Station thanks to an evaporator weld repair during the course of routine preventive maintenance. The network control failure rate for the hydro plants did not exceed 1% of maximum capacity. The long-term failure rate of generation units at the Dukovany Nuclear Power Station is less than 1% of maximum capacity, making it one of the most reliable nuclear power stations in the entire world.

NETWORK CONTROL FAILURE RATE AT COAL-FIRED, HYDRO PLANTS AND DUKOVANY NUCLEAR POWER STATION (% OF THEORETICAL MAXIMUM CAPACITY)



UNPLANNED FAST AUTOMATIC REACTOR SHUTDOWNS AT DUKOVANY NUCLEAR POWER STATION COMPARED WITH WORLD AVERAGE



Note: World average figure for 1999 is preliminary.

In 1999, for the first time since the Dukovany Nuclear Power Station was put into operation, there was no fast unplanned automatic reactor shutdown at any of the units.

REPAIRS AND MAINTENANCE

DUKOVANY NUCLEAR POWER STATION

Shutdowns of three units were carried out in 1999 to replace fuel and perform annual inspections and preventive maintenance. The fuel replacement shutdown of Unit No. 1 was extended to accommodate the four-year inspection as well.

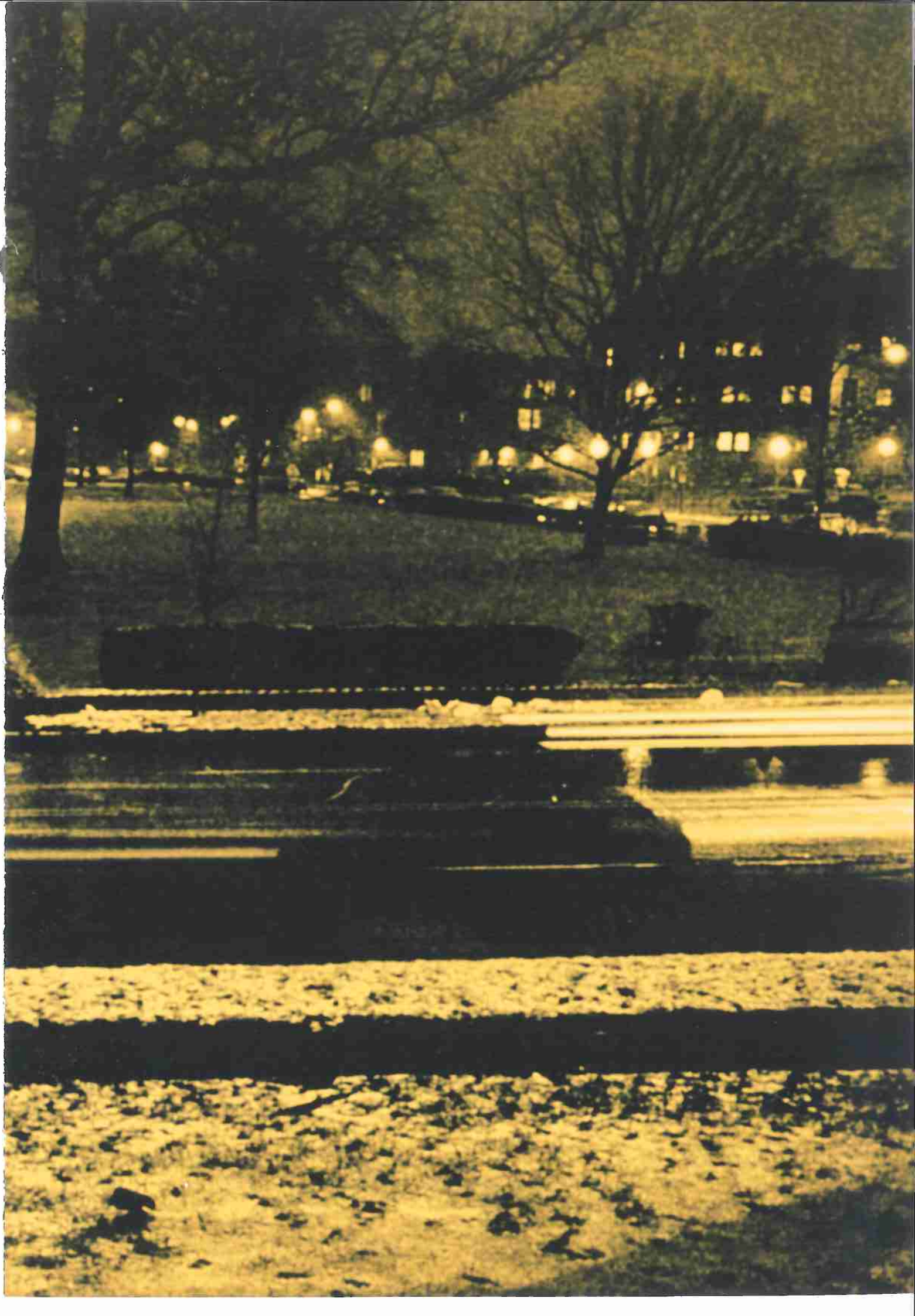
COAL-FIRED POWER STATIONS

As the intensity of repairs and overhauls of generation units was lower than in previous years, aggregate shutdown times were much shorter. Four overhauls were completed (Počerady – Unit No. 6, Ledvice – Unit No. 3, Dětmarovice – Unit No. 2 and Prunéřov – Unit No. 21) as well as some above-standard routine repairs (Tušimice II – Unit No. 24 and Mělník III – Unit No. 11). In addition, four overhauls were performed on busbar-connected units, the most important of which was the first overhaul of Fluidized-Bed Boiler No. 11 at the Tisová Power Station.

HYDRO POWER STATIONS

Turbogenerator No. 3 at the Dalešice Power Plant was overhauled during a shutdown that was completed 29 days earlier than plan. Also, control systems were modernized at the Orlík Power Station. Further, all "black start" tests were completed at selected sources in the Czech Republic Power System.

ČEZ, a. s. – AN EFFICIENT ELECTRICITY PRODUCER AND MERCHANT SET TO PROVE ITSELF ON THE DOMESTIC AND PAN-EUROPEAN ENERGY MARKETS.



SALES

"ČEZ WANTS TO BE BOTH A PRODUCER AND A MERCHANT, WHILE MAINTAINING PRESENT GENERATION CAPACITIES. WE WILL APPLY A MORE FLEXIBLE TRADING POLICY TOWARDS DISTRIBUTORS. WE WOULD LIKE TO INCREASE THE MARKET SHARE OF OUR ELECTRICITY UP TO 70%. MOST OF OUR GENERATING SOURCES ARE CAPABLE OF COMPETITION IN THE LIBERALIZED EUROPEAN MARKET AS WELL."

(IVAN BAŤKA, EXECUTIVE DIRECTOR OF ČEZ, a. s. FOR SALES)

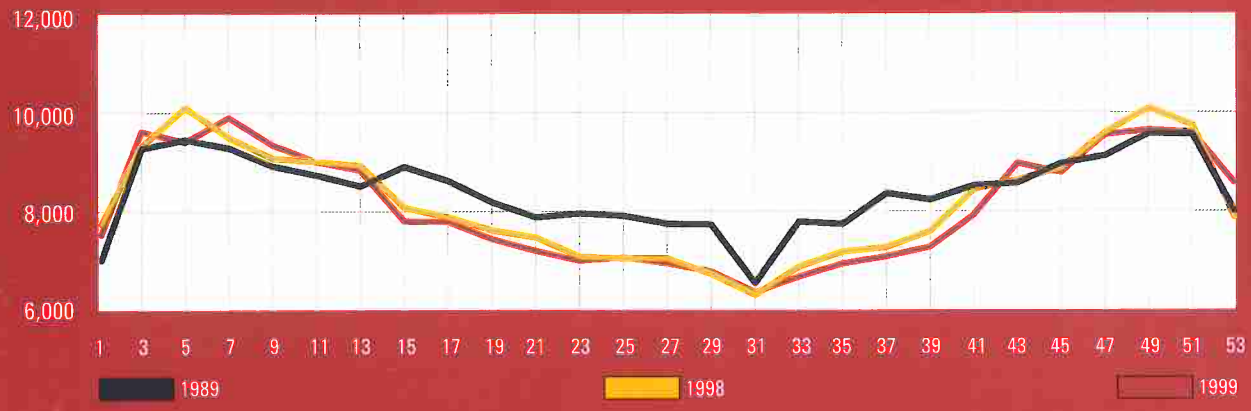
ELECTRICITY TRADE

In 1999, demand for electricity fell by 1,359 GWh (2.6%) from 1998 and reached the level of 50,837 GWh. This decline was caused by a combination of the following factors:

- a decline in household demand by 2.7% brought about by energy saving measures, e.g. a slight migration away from electric heat;
- a 4.6% decline in industrial consumption, partially offset by a 3.7% increase in small business consumption.

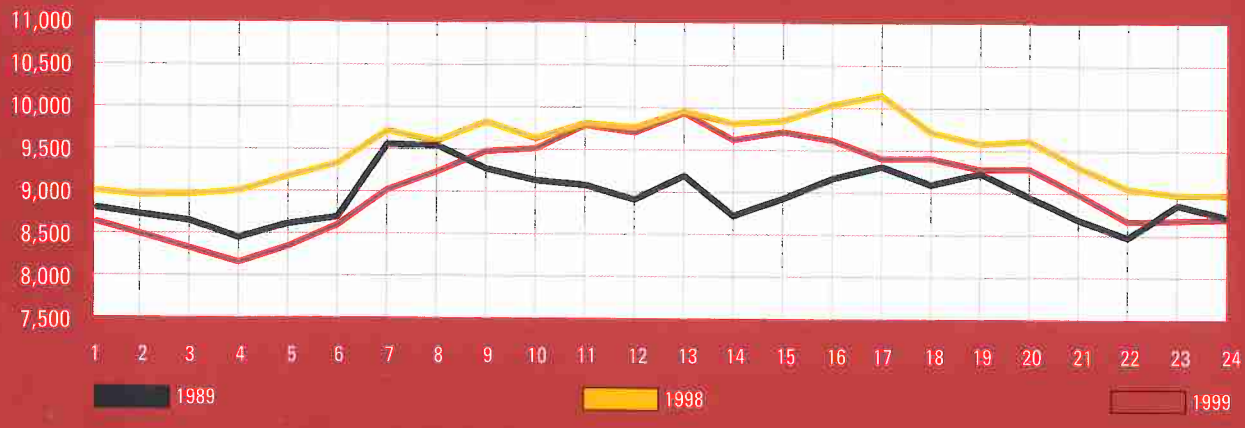
The decline in electricity consumption in 1999 is illustrated in the graph below, showing the weekly peak loads on the Czech Republic Power System in the years 1989, 1998, and 1999. As the graph shows, the peak load in 1999 was higher than in 1998 in 17 weeks, while in the remaining 36 weeks the load was lower.

WEEKLY PEAK LOADS (MW)



The peak load for the entire year was 9,926 MW and was achieved on 1 February 1999 at 13:00. This year's peak was 223 MW lower than in 1998. The following graph shows the load diagram for that date compared with the peak load dates in 1989 and 1998.

LOAD DIAGRAM FOR DATE OF ANNUAL PEAK LOAD (MW)



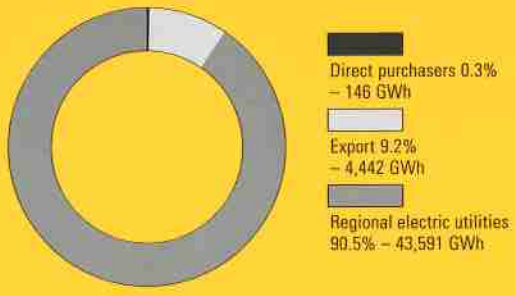
ČEZ ELECTRICITY PROCUREMENT AND SUPPLY

	1998 (GWh)	1999 (GWh)	Index 99/98 (%)
Procurement:			
Generated in-house	47,892	45,722	95.5
Purchased from independent producers	3,963	4,034	101.8
Purchased from industrial power plants	841	881	104.8
Purchased from regional electric utilities	77	52	67.5
Import	958	1,031	107.6
Total	**53,731**	**51,720**	**96.3**
Supply:			
Sold to regional electric utilities	43,591	40,488	92.9
Sold directly to end users	146	88	60.3
Sold to ČEPS, a. s. to cover losses in the transmission system (starting 1 August 1999)	0	298	
Export	4,442	5,695	128.2
Total sales	**48,179**	**46,569**	**96.7**
In-house consumption	4,727	4,664	98.7
of which: for generation of electricity	3,787	3,642	96.2
for pumping at pumped storage hydro power stations	654	716	109.5
other in-house consumption	286	306	107.0
Losses in ČEZ networks (up to 1 August 1999)	825	487	59.0
Total	**53,731**	**51,720**	**96.3**

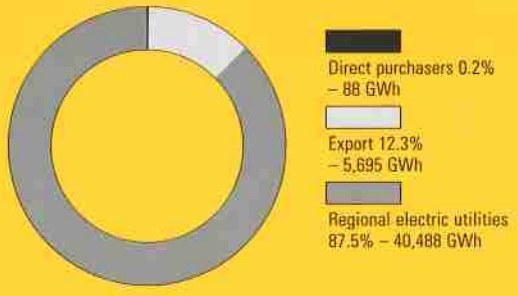
The share of ČEZ, a. s. in meeting overall demand for electricity in the Czech Republic declined from 76.4% in 1998 to 72.9% in 1999. This was due mainly to an increase in the amount of electricity purchased by regional electric utilities from non-ČEZ sources (other domestic producers and import) from 11.4% to 15.7%. Electricity imports by importers other than ČEZ, a. s. (approximately 58% of total electricity imported into the Czech Republic) remained at more or less the same level all year long, despite the availability of sufficient domestic generating capacity.

ČEZ ELECTRICITY SALES, BY DESTINATION

1998



1999



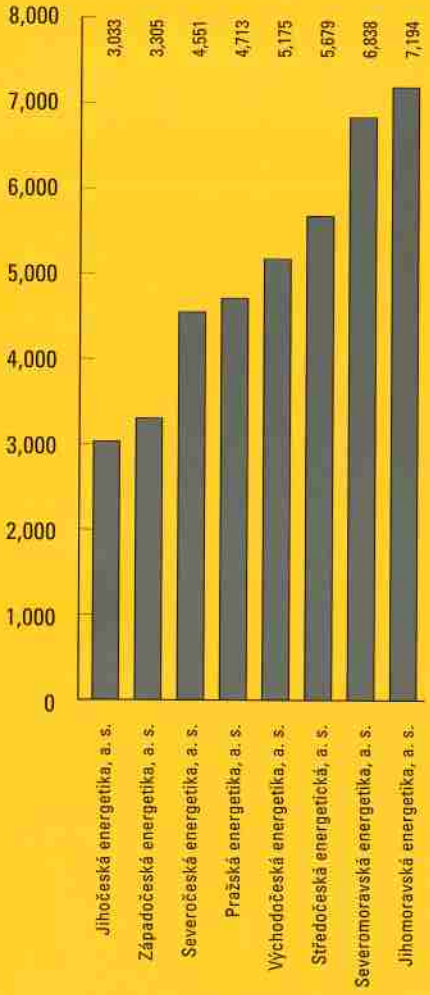
The bulk of the electricity procured by ČEZ in 1999 (87.5%) was sold to the eight regional electric utility companies which supply electricity to end users throughout the Czech Republic. The rest was exported (12.3%) or sold directly to end users (0.2%). Significant growth in exports was achieved during the year, but this only partially made up for the decline in electricity sales to the regional utilities.

SALE OF ELECTRICITY TO REGIONAL ELECTRIC UTILITY COMPANIES IN 1999

Sales to individual regional electric utilities vary widely in conjunction with a number of factors, the most important of which are:

- the presence of large-volume customers (mainly industrial companies) in a particular region;
- population;
- purchase of electricity from other suppliers (imports, independent producers).

SALE OF ELECTRICITY TO REGIONAL ELECTRIC UTILITY COMPANIES IN 1999 (GWh)



The negotiation of 1999 electricity supply contracts with the regional electric utilities was complicated by the fact that the Czech Ministry of Finance did not establish the final prices applicable to these supplies until late December, 1998. These prices (regulated by the Ministry of Finance) were made official by the Ministry's Assessment No. 02/1999 which took effect as of 15 January 1999. No changes in pricing occurred during 1999, as the increase in household prices originally planned for mid-year 1999 (another step in electricity pricing reform) was postponed to 1 January 2000.

The prices at which ČEZ, a. s. sells electricity to the regional electric utilities have been regulated by the Ministry of Finance since 1995. During 1995 – 1996 they were set forth as average prices in CZK/MWh. In 1997 the company succeeded in getting this simple "commodity" price divided into two components: a capacity component and a time-differentiated component for electricity actually supplied. In 1998 the following additional price components were separated out: transmission fee, network control services fee, and fee for system services. For 1999, in the interests of achieving the same electricity prices for all the regional utilities, the prices for capacity were unified and a "tariff correction" factor was set up to make up for the differences between the average end-user prices charged by various regional utilities.

SALES OF HEAT

ČEZ, a. s. produces thermal energy at all of its fossil and nuclear plants, as follows:

District-heat networks operated by ČEZ, a. s.	Power Stations:	Tisová, Mělník, Chvaletice, Poříčí, Hodonín, Dětmarovice
	Heat Plants:	Dvůr Králové, Náchod
District-heat networks operated by other business entities	Power Stations:	Prunéřov, Tušimice, Ledvice, Temelín
Direct (for in-house consumption and for outside customers located within power station compounds)	Power Stations:	Počerady, Dukovany

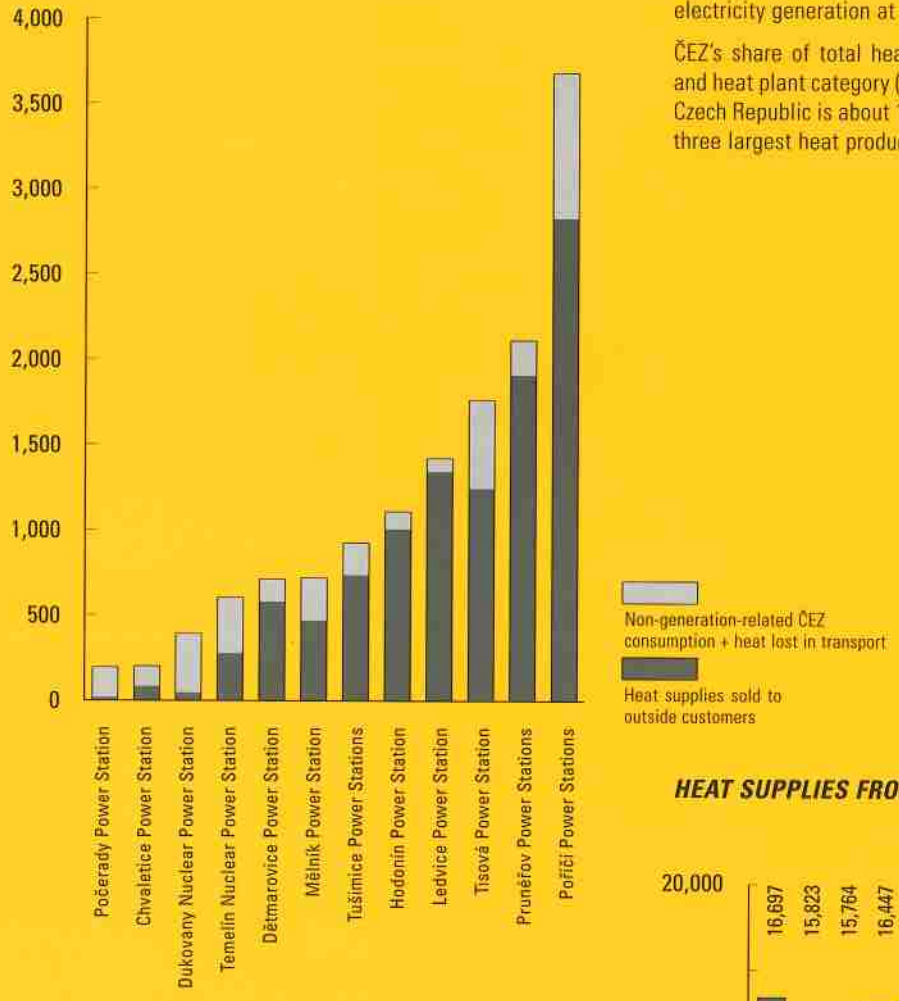
ČEZ, a. s. also purchases heat produced at the Mělník I Power Station for further sale from Energotrans, a. s., in which ČEZ, a. s. has an equity holding.

Supplies of heat by ČEZ, a. s. to outside customers were 6.6% lower than in 1998. Given that the number of customers remained practically unchanged, lower heat sales were caused by declining demand for district heat on the part of both households and businesses, especially in industry. In certain localities an increase in average outdoor temperatures (by 0.2 degrees Celsius compared with the previous heating season) was a factor as well.

ČEZ HEAT PROCUREMENT AND SUPPLY

	1998 (TJ)	1999 (TJ)	Index 99/98 (%)
Procurement:			
Generated in-house	14,292	13,174	92.2
Purchased from other producers	679	669	98.6
Total	**14,971**	**13,843**	**92.5**
Supply:			
Sold to district-heat utilities	4,061	3,530	86.9
Sold to distributors	2,105	2,127	101.1
Sold to other customers	4,947	4,723	95.5
Export	160	150	93.9
Total sales	**11,273**	**10,530**	**93.4**
In-house consumption	2,217	1,941	87.6
Useful supply	13,490	12,472	92.5
Losses in ČEZ networks	1,481	1,372	92.6
Total	**14,971**	**13,843**	**92.5**

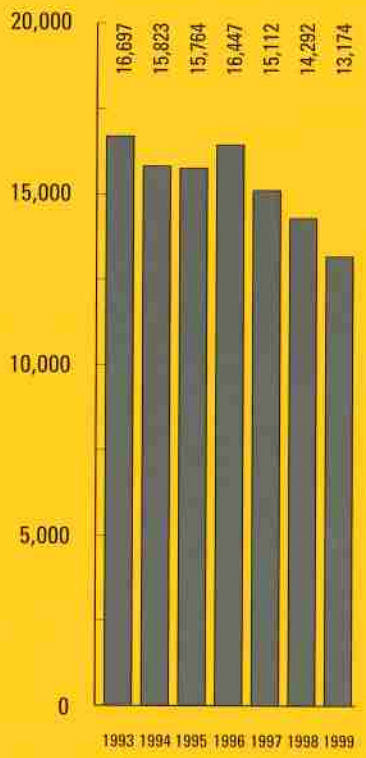
HEAT SUPPLIES FROM ČEZ ORGANIZATIONAL UNITS IN 1999 (TJ)



Almost all useful supply of heat (95%) comes from combined-cycle units. The amount of electricity generated by these units (1,377 GWh) was only 4.5% of total electricity generation at coal-fired power stations.

ČEZ's share of total heat supplies in the power station and heat plant category (including industrial plants) in the Czech Republic is about 11%, making ČEZ, a. s. one of the three largest heat producers in the Czech Republic.

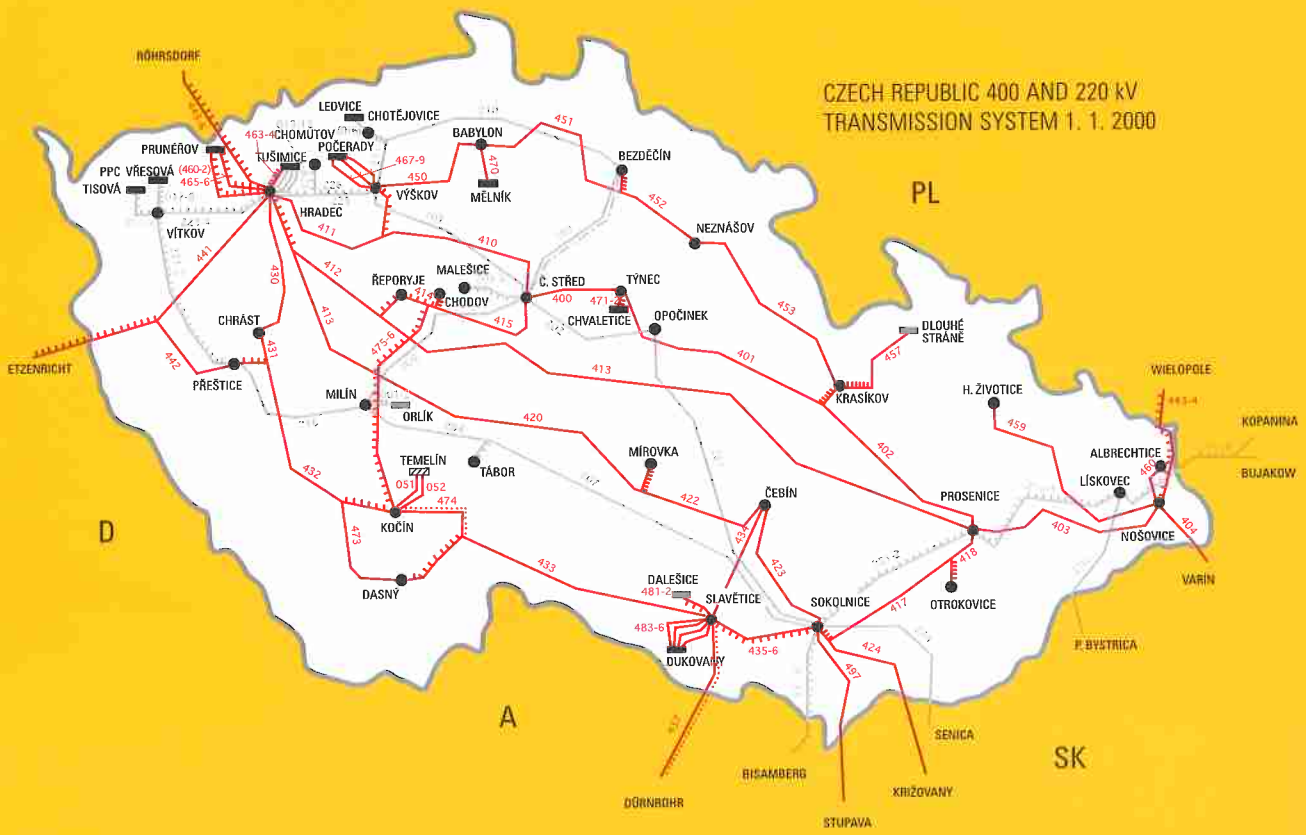
HEAT SUPPLIES FROM ČEZ SOURCES (TJ)



TRANSMISSION SYSTEM

The joint-stock company ČEPS, a. s., which was established in October, 1998, as a 100% subsidiary of ČEZ, a. s. commenced operations on 1 August 1999. The establishment of ČEPS also led to the winding up of the Transmission System Division.

The principal businesses of ČEPS, a. s. are the transmission of electricity, the operation, maintenance and development of the transmission system, real-time network control of the Czech Republic Power System, developing defensive and renewal plans, and completing preparations for power system operation at given time intervals. It takes care of the technical aspects of running system services such as capacity and frequency regulation, voltage and reactive current regulation, as well as managing necessary reserve capacity.



	400 kV	220 kV
Single line		
Double line		
Double line, (one line fitted)		

	in operation	under construction
Coal-fired and nuclear power stations		
Hydro power stations		
Substations		

DESCRIPTION OF TRANSMISSION SYSTEM PLANT AND EQUIPMENT

The ČEPS transmission system is a subset of the Czech Republic Power System which interconnects all significant grid participants and provides for the bulk of foreign cooperation. The ČEPS transmission system consists wholly of 400 kV and 220 kV equipment, including 37 substations, 30 transformer stations, 2,909 km of 400 kV line and 1,440 km of 220 kV line. The transmission system also includes two 110 kV substations and 134 km of 110 kV lines used to convey output from ČEZ power stations.

Line in operation	Single	Double	Over double	Total
	Length (km)			
400 kV	2,393	514	2	2,909
220 kV	960	480		1,440
110 kV	50	84		134

Transformers	Number (pcs)	Capacity (MVA)
400/220 kV	4	2,030
400/110 kV	40	10,720
220/110 kV	21	4,200

Substations	Number (pcs)
400 kV	23
220 kV	14
110 kV	2

TRANSMISSION SYSTEM OPERATION AND MAINTENANCE

In comparison with 1998 there was a 7.7% overall decrease in the number of failures. A total of 120 failures were recorded in 1999 (77 line failures, 39 transformer failures, and 4 substation field failures). 45 of the failures were caused by events occurring in non-ČEPS/ČEZ equipment and the remaining 75 failures were caused by breakdowns of equipment owned by ČEPS, a. s. The most serious failure resulted from extensive damage to the tertiary output of a 400/110 kV transformer at the Krasíkov Transformer Station (5 October 1999) caused by external factors. In addition to the above, 54 malfunctions were observed, none of which caused any immediate black-outs.

In 1999 a new phenomenon began to exert a negative influence on the reliability of the transmission system: the growing frequency of grounding cable theft, especially on lines under the operational management of Transmission System North. A total of approximately 15 km of grounding cable was stolen in 1999.

POWER GRID CONTROL

During the year qualitative indicators of electricity supply from the transmission system were maintained within prescribed limits. No failure that occurred was observed to have any influence on reliability of electricity supply and compliance with safety regulations.

Control systems and procedures were put in place to ensure a smooth Y2K roll-over. The arrival of 1 January 2000 did not cause any problems in grid control.

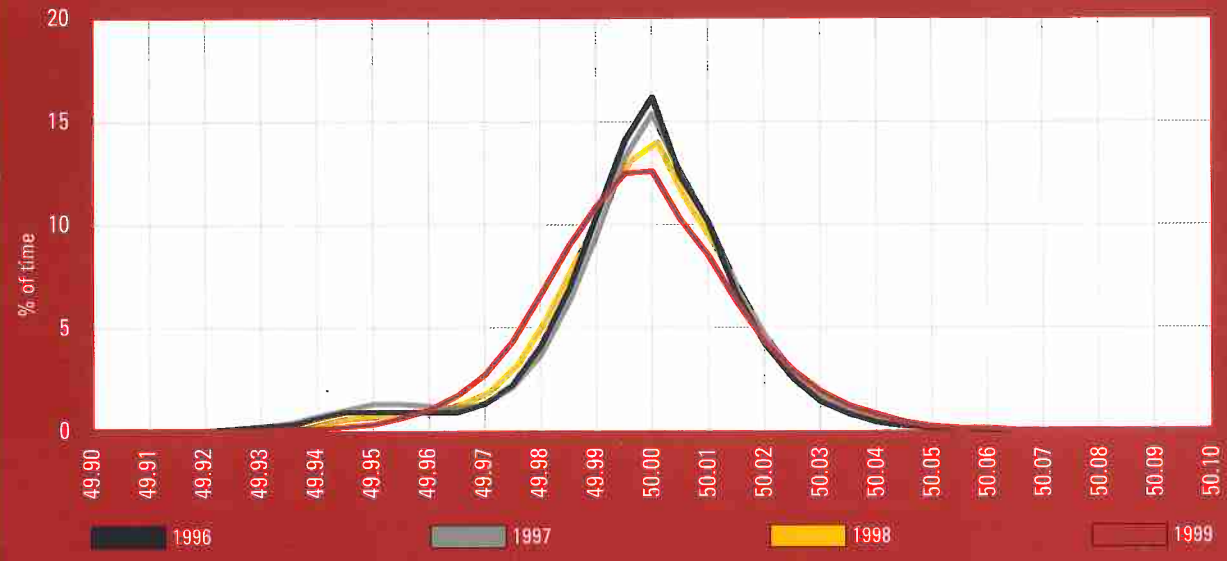
SYNCHRONOUS COOPERATION WITH UCTE

Synchronous cooperation with UCTE took place in accordance with operating recommendations. ČEZ, a. s. turned over its positions in UCTE and CENTREL bodies to ČEPS, a. s., which is gradually taking over the role of System Operator in accordance with the electricity market liberalization process in Europe.

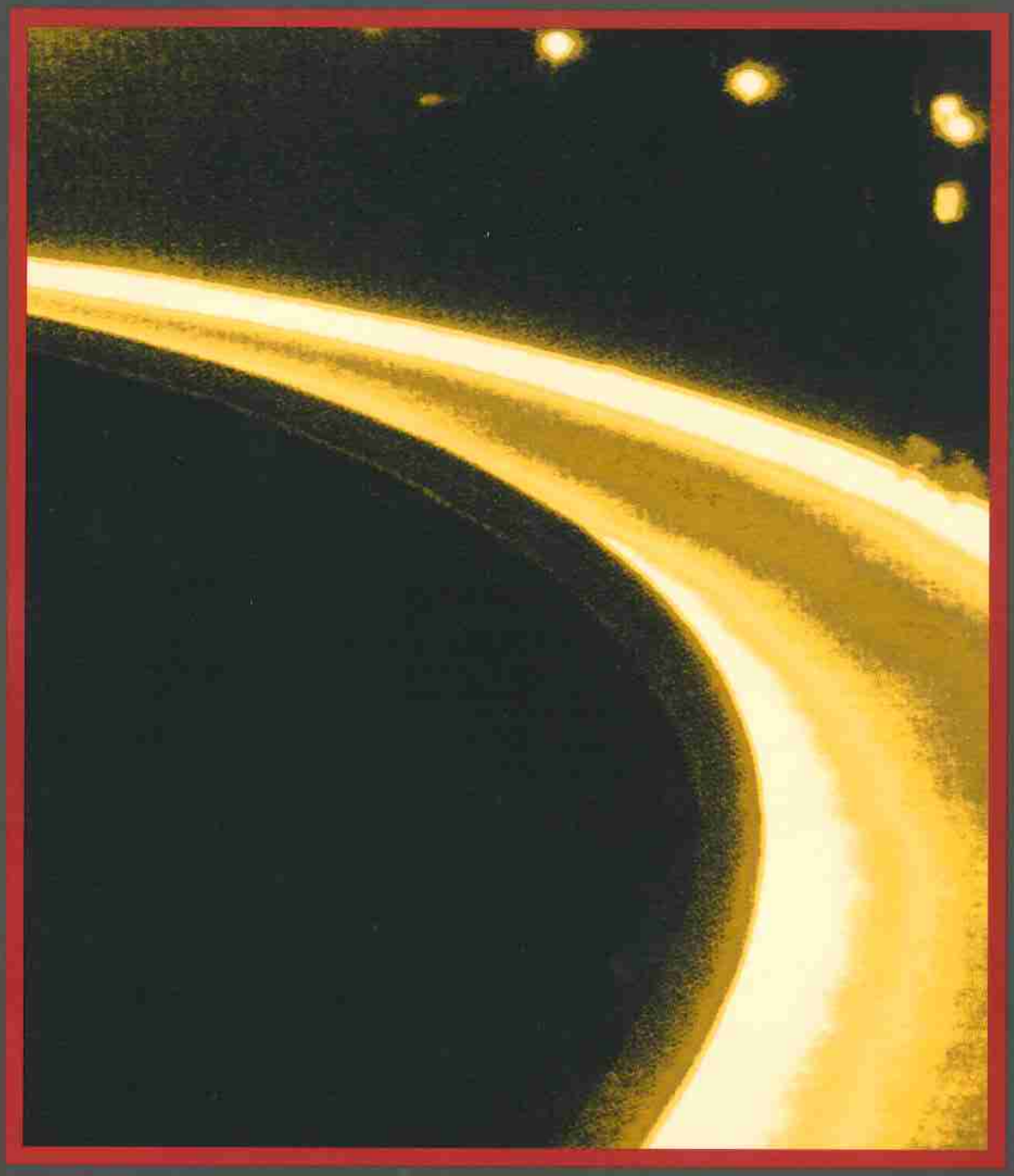
ČEPS, a. s. held discussions with neighboring power grid organizations to identify free cross-border transmission capacity. This contributed significantly to increasing the possibilities for cross-border electricity trade.

In accordance with the implementation of "European Parliament Directive No. 96" setting forth electricity market conditions, ČEPS, a. s. got involved in an international group for coordinating the implementation of the new rules for operating the cross-border transmission network as part of international interconnection, with a focus on managing exchanges of electricity over cross-border transmission lines.

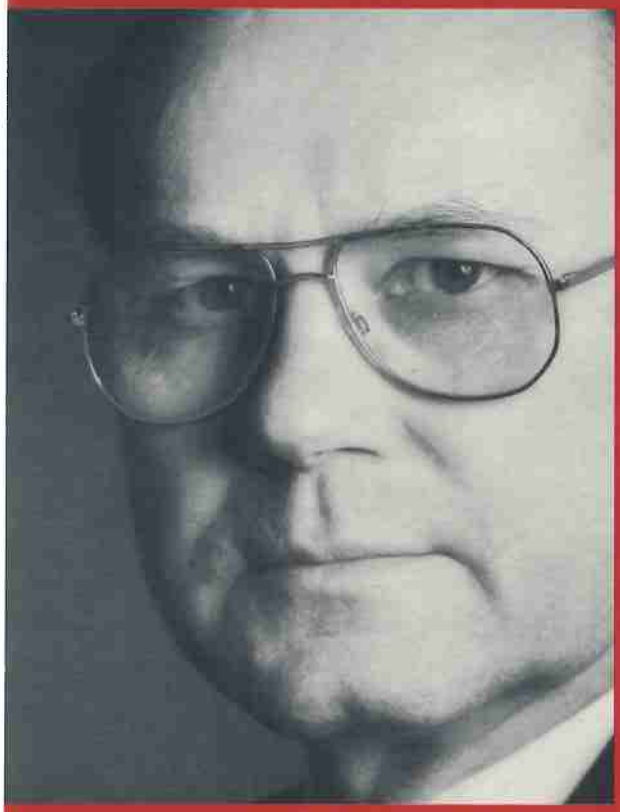
FREQUENCY DEVIATION FROM NOMINAL (50 Hz)



Line frequency is a parameter of all the grids interconnected by UCTE as a whole. Thus, the largest grids (France, Germany, etc.) have the greatest influence on the frequency value. The Czech Republic Power System, though properly managed, has no significant influence on the overall frequency value.



CAPITAL INVESTMENT



"AMONG THE FACTORS SPEAKING IN FAVOR OF THE FUTURE OF TEMELÍN ARE THE CONCLUSIONS OF 15 INTERNATIONAL CONTROL AND VERIFICATION MISSIONS FOCUSED ON OPERATIONAL SAFETY THAT HAVE VISITED THE POWER STATION SINCE 1990, INCLUDING AN AUDIT PERFORMED BY HALLIBURTON NUS IN 1991 AND 1992. EVEN THE AUSTRIAN CONSULTING FIRM ENCONET, WHICH ASSESSED THE PROJECT IN TERMS OF COMPATIBILITY BETWEEN EASTERN AND WESTERN TECHNOLOGIES, AFFIRMED IN 1998 THAT ONCE ALL CALLED-FOR PROJECT MODIFICATIONS ARE IMPLEMENTED, THIS POWER STATION WILL BE MUCH SAFER THAN THE MAJORITY OF NUCLEAR POWER PLANTS CURRENTLY IN OPERATION, AND THAT THE MODIFICATION PROCESS WAS CARRIED OUT IN A WAY THAT IS COMPLETELY STANDARD IN WESTERN COUNTRIES."

(FRANTIŠEK HEZOUČKÝ, EXECUTIVE DIRECTOR OF ČEZ, a. s. CONSTRUCTION OF TEMELÍN NUCLEAR POWER STATION DIVISION)

PRINCIPAL INVESTMENT, MODERNIZATION AND DEVELOPMENT POLICY OBJECTIVES

Currently the primary focus of the development program is on ČEZ's nuclear plants. The priority is to complete the construction of the Temelín Nuclear Power Station, and the progress made in 1999 puts us on track to fulfill the goals set for 2000. In May 1999 the Government of the Czech Republic decided to complete the Temelín Nuclear Power Station in time for fuel to be loaded into Unit No. 1 in the summer of 2000 and approximately 15 months later, in Unit No. 2 as well, with the total cost of the project not to exceed CZK 98.6 billion. A number of measures, including personnel measures, were taken to ensure that these conditions are met.

Due attention is also being given to the Dukovany Nuclear Power Station, which is a reliable and economical generating facility. The program for harmonizing this plant with operating and safety practice standards for nuclear power stations in the European Union is clearing the way for the continual long-term, safe and economical operation of this key generation facility.

For the fossil plants, 1999 was a period of stabilization focused on resolving remaining issues related to desulfurization and the migration to fluidized-bed boilers.

Innovation policy is focused on making adjustments to technologies with the aim of increasing the production efficiency and reliability of power generation units. This includes lowering plants' own consumption of electricity and reinforcing the dynamic characteristics of generation units to the extent and at the level necessary for synchronous operation of the Czech Republic Power System together with UCTE, the Western European power system.

1999 saw the continued roll-out of innovative technologies in the waste processing area, the most important of which was the conversion of ash removal from the hydraulic float technique to dry removal, allowing waste materials to be re-processed into materials better suited for disposal.

Work began again on optimizing the company's portfolio of power generation facilities in conjunction with the commissioning of the Temelín Nuclear Power Station and preparations for competition on the open electricity market with the aim of finding a model for gradually replacing existing production capacity with modern technologies.

A decision of the Board of Directors dated 18 February 1999 suspended the retrofit of the Tušimice I Power Station. This affected 1999 earnings by increasing costs by a total of CZK 946 million.

During 1999 ČEZ, a. s. held negotiations with Vivendi-Dalkia, which culminated in December 1999 with the signature of a Letter of Understanding concerning the joint venture JVCD, a. s., the purpose of which is to obtain optimum advantage from the heat and electricity supply businesses of both companies in the region of North Moravia. This will entail building a new hot-water line connecting the Dětmarovice Power Station with the Karviná Heat Plant district-heat network and upgrading the heat generation equipment of the Dětmarovice Power Plant.

(CZK billion)	Expended							Program	Budget
Investment category	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**1993 – 1999**	**2000**
Nuclear power	9.5	8.9	6.6	8.6	7.0	10.1	11.3	62.0	12.5
of which: Temelín	8.4	8.1	5.5	7.7	6.1	9.3	10.3	55.4	9.7
Environment	4.2	6.2	9.7	6.9	6.4	3.0	0.8	37.2	0.7
of which: desulfurization	3.3	4.8	6.9	4.2	3.9	1.1	0.3	24.5	0.2
fluidized-bed boilers	0.4	0.8	2.3	2.2	1.8	0.8	0.1	8.4	0.0
Waste treatment	0.8	1.7	1.8	2.1	1.4	0.6	0.4	8.8	0.5
Coal-fired power stations	0.9	2.0	3.5	2.3	1.7	1.8	1.1	13.3	0.6
District heat	0.4	0.1	0.1	0.1	0.1	0.0	0.1	0.9	0.1
Hydro power stations	1.7	1.0	0.9	0.3	0.1	0.1	0.1	4.2	0.2
Transmission system	1.1	1.4	1.5	1.1	1.1	1.3	0.9	8.4	0.2
Other investments	0.6	0.5	0.5	0.9	1.1	1.2	1.4	6.2	1.2
Payments for nuclear fuel	1.8	1.4	2.2	1.9	1.6	1.4	1.8	12.1	3.7
Capitalized interest	0.0	0.9	2.0	2.9	2.9	3.0	3.4	15.1	3.4
Total	**21.0**	**24.1**	**28.8**	**27.1**	**23.4**	**22.5**	**21.3**	**168.2**	**23.1**

TEMELÍN NUCLEAR POWER STATION

The work accomplished during 1999 gives realistic prospects for meeting of contractual deadlines for Unit No. 1, i.e. installation of fuel by September 2000 and putting the unit into commercial operation by May 2001. As of year-end 1999 total expenditure on the project was CZK 80 billion, in the following structure:
– Unit No. 1 CZK 31 billion,
– Unit No. 2 CZK 28 billion,
– Equipment common to both units CZK 21 billion.

Thus, CZK 18.6 billion of the total project budget of CZK 98.6 billion remains to be spent.

• UNIT NO. 1

Following the completion of containment integrity tests in late 1998 and early 1999, work at the site began to focus more on start-up related activities and less on construction/assembly work, most of which is now complete. A number of tests were conducted in accordance with the start-up timeline, focusing on unit control room technology, the control system, electrical systems, and mutual interconnection of various systems. Tests of the main circulating pumps were followed by pressure, strength, and leakage tests of the primary and secondary cycles.

• UNIT NO. 2

In addition to the ongoing construction/assembly of the primary cycle, reactor assembly for testing, commencement of cabling work, and other activities, a significant amount of preparatory work was conducted leading up to the installation of technological equipment. The installation of the 6 kV and 0.4 kV substations was also completed.

• SIMULATOR

In September, four months early, the simulator was transported from ORGREZ SC, a. s. to the Temelín Nuclear Power Station compound, and its individual components were put into operation. The processing of testing the simulator's systems began in October. Operator training was commenced in December, after permission was received from the State Nuclear Safety Agency.

DUKOVANY NUCLEAR POWER STATION

The key plant modernization projects currently under preparation or completed are as follows:

• SECURITY SYSTEM POWER SUPPLY PROJECT

This project involves a complete overhaul and upgrade of the systems for providing power to those systems that must be in operation continually without interruption. The goal of the project is to improve safety and lower maintenance costs.

• CONTROL SYSTEMS UPGRADE

Late in the year the first round of the tender for selecting a contractor to upgrade the systems for ensuring nuclear safety, the reactor output control systems, and information system was completed. The second round is planned for 2000. Commencement of realization on Unit No. 3 is planned for 2002.

• CONDENSER UPGRADE

The purpose of the condenser upgrade is to remove copper alloys from the secondary cycle (brass condenser pipe bundles will be replaced with modules fitted with titanium pipes), enable the acidity of the secondary cycle to be lowered, and thereby lengthen the useful life of related equipment, especially the steam generators. The upgrade project will also include replacing condenser water chambers, continual cleaning of condenser pipes, and a system for taking condensate samples. In 1999 condensers were installed on both turbines in Unit No. 1.

FUTURE SPENT NUCLEAR FUEL STORAGE

During 1999 the Ministry of the Environment assessed, from the perspective of the "Act on Assessment of Environmental Impacts", a study submitted by ČEZ of the environmental impact of the interim spent nuclear fuel storage facility for two possible alternatives for the facility's location and design:

1. Location inside of the Dukovany Nuclear Power Station compound, the facility would store spent fuel from Dukovany only. In late 1999 the environment ministry issued a consenting opinion, and the State Nuclear Safety Agency issued a facility location permit pursuant to Section 9 of the "Nuclear Act".
2. At the Skalka location for spent nuclear fuel from both the Dukovany and Temelín Nuclear Power Stations. In late 1999 the Ministry of the Environment issued a dissenting opinion. In January, 2000 the State Nuclear Safety Agency issued a facility location permit pursuant to Section 9 of the "Nuclear Act" and requested that the environmental ministry change its opinion. In February 2000 the ministry reaffirmed its negative opinion.

In 1999, ČEZ, a. s. commenced round two of the tender for selecting a contractor to build spent fuel storage containers to hold spent fuel from the Dukovany Nuclear Power Station at the storage facility to be commissioned in 2005.

Preparations of a storage facility at the Temelín Nuclear Power Station for storing spent fuel from this facility will begin once the station's Unit No. 2 is put into operation.

ENVIRONMENTAL INVESTMENT

In 1999 the company finalized its program of desulfurization and fluidized-bed boilers installation. Environmental investment went on with the conversion to dry conveyance of ash for storage or further processing.

• TUŠIMICE POWER STATIONS

Warranty operation of flue-gas desulfurizing equipment at the Tušimice II Power Station commenced in December (from 1997 to December 1999 the equipment was operated by the supplier).

• TISOVÁ POWER STATION

Following the correction of reported flaws in fluidized-bed boiler no. 2 and the stabilizer production facility, the entire power station was converted to dry ash conveyance.

• CHVALETICE POWER STATION

Desulfurization equipment was in warranty operation, during which flaws were reported and corrected. The construction of the Ash Materials Disposal facility ran into complications caused primarily by the general contractor (Transporta Chrudim) being declared bankrupt. The Bankruptcy Administrator terminated the contract. Thanks to timely intervention by the investor, bank guarantees were transferred to ČEZ, a. s. and will be used to complete the construction in 2000 without any cost overruns. In 1999 the new Wastewater Treatment Plant was put into operation.

• DĚTMAROVICE POWER STATION

The desulfurization equipment has been in warranty operation since August 1998. However, financial matters with the supplier have not been closed. The remaining funds will be released when reported flaws have been corrected.

• MĚLNÍK POWER STATION

Operation of the desulfurization equipment is being stabilized and reported flaws are being corrected. The bulk of the "Mělník Power Station Ash Removal and Distribution" was put into operation. In December 1999 a use permit was issued for the new belt conveyor.

• LEDVICE POWER STATION

The process of optimizing the new fluidized-bed boiler No. 4 was completed and warranty measurements were conducted in November, 1999. A use permit was issued for the completed "Internal Ash Removal" project. In the "External Ash Removal" project remaining warranty tests were conducted and defect reports made during the warranty period were dealt with.

• POŘÍČÍ POWER STATIONS

A use permit for the new fluidized-bed boiler No. 8 was issued in March. Necessary measures were taken to reduce dust generation in fuel handling at the Dvůr Králové Heat Plant, which is located in a built-up area of town.

OTHER CAPITAL SPENDING PROJECTS

• REPLACEMENT OF POWER GENERATION UNIT CONTROL SYSTEMS

Control system replacement was completed on units at the power stations Prunéřov (unit no. 21) and Dětmarovice (unit no. 2). One portion of the control system at the Orlík Power Station was successfully upgraded and a similar upgrade was commenced at the Slapy Power Station.

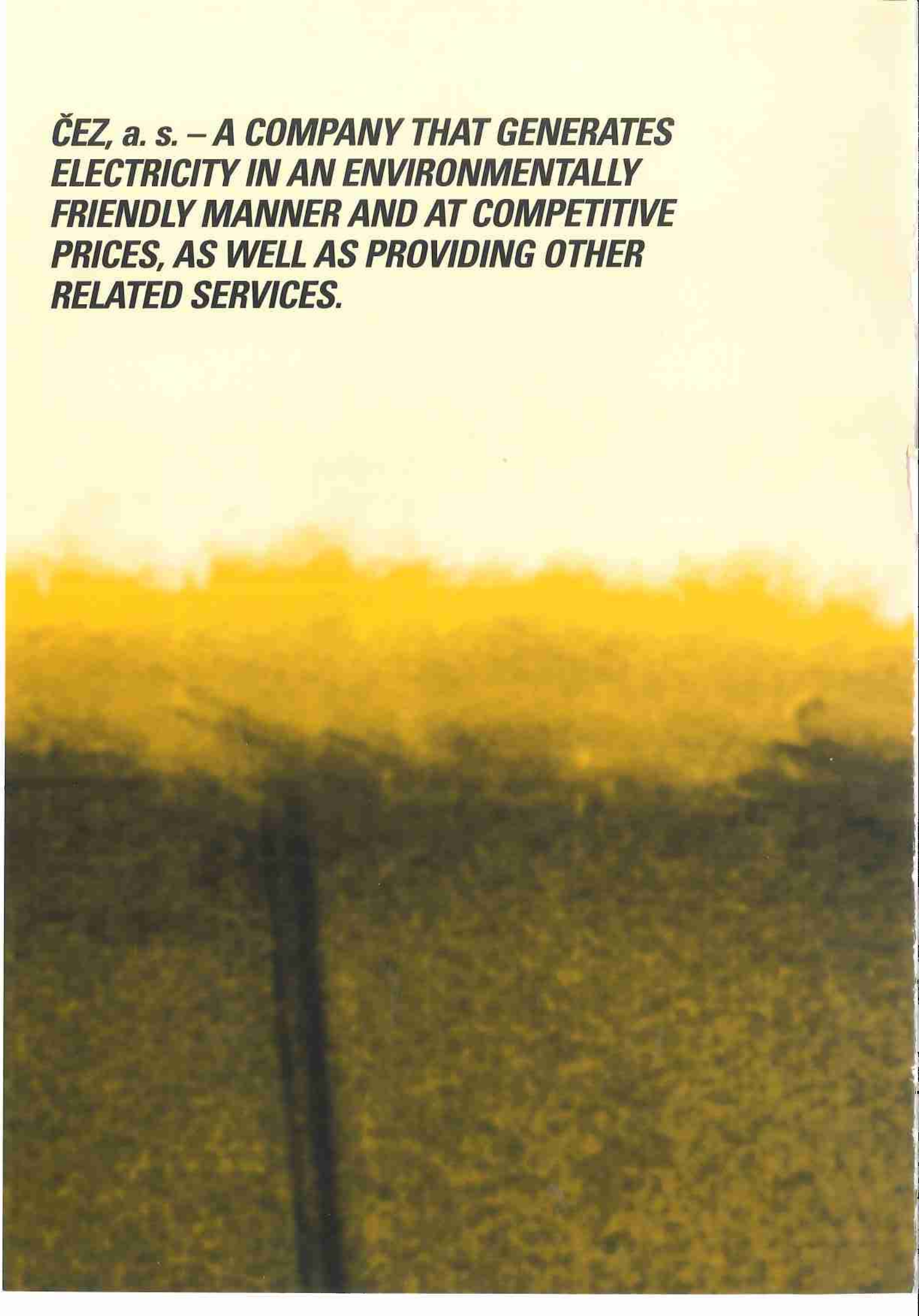
• TELECOMMUNICATIONS SYSTEM

1999 saw the completion and commissioning of SDH transmission system technology and the addition of another 250 km of fiber to the network. Currently around 2,400 km of fiber are in operation. The target, which will be achieved in 2000, is to operate a telecommunications system based on a fiber network over 2,500 km in length.

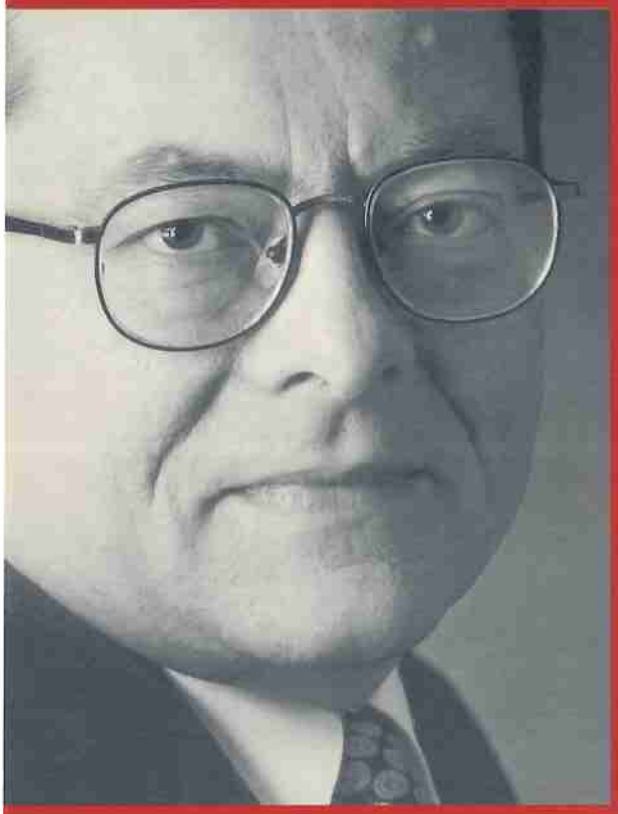
• TRANSFORMER STATIONS

The most significant completed projects (up until when ČEPS, a. s. began operations, i.e. 1 August 1999) are the transformer at the 400/110 kV substation in Chodov, the control system at the Kočín substation (significant for connecting the Temelín Nuclear Power Station to the grid) and the renovation of the Nošovice transformer station.

ČEZ, a. s. – A COMPANY THAT GENERATES ELECTRICITY IN AN ENVIRONMENTALLY FRIENDLY MANNER AND AT COMPETITIVE PRICES, AS WELL AS PROVIDING OTHER RELATED SERVICES.



ČEZ AND THE ENVIRONMENT



"OUR GOAL IN ALTERNATIVE ENERGY SOURCES IS TO TEST NEW GENERATION TECHNIQUES AND UTILIZE THE EXPERIENCE AND INFORMATION GAINED FOR THE BENEFIT OF THE PUBLIC TO ALLOW PEOPLE TO MAKE MORE AND BETTER USE OF ALTERNATIVE SOURCES. THIS IS NOT BUSINESS IN THE NORMAL SENSE OF THE WORD, BECAUSE GENERATING ELECTRICITY FROM THESE SOURCES IS STILL FAR FROM PROFITABLE."

(JIŘÍ RICHTER, EXECUTIVE DIRECTOR OF ČEZ, a. s. FOR DEVELOPMENT)

ČEZ ENVIRONMENTAL STRATEGY

ČEZ's approach to the environment was set forth in 1999 in its environmental protection policy. The company's considerate behavior toward the environment is producing real, concrete results in the following areas:

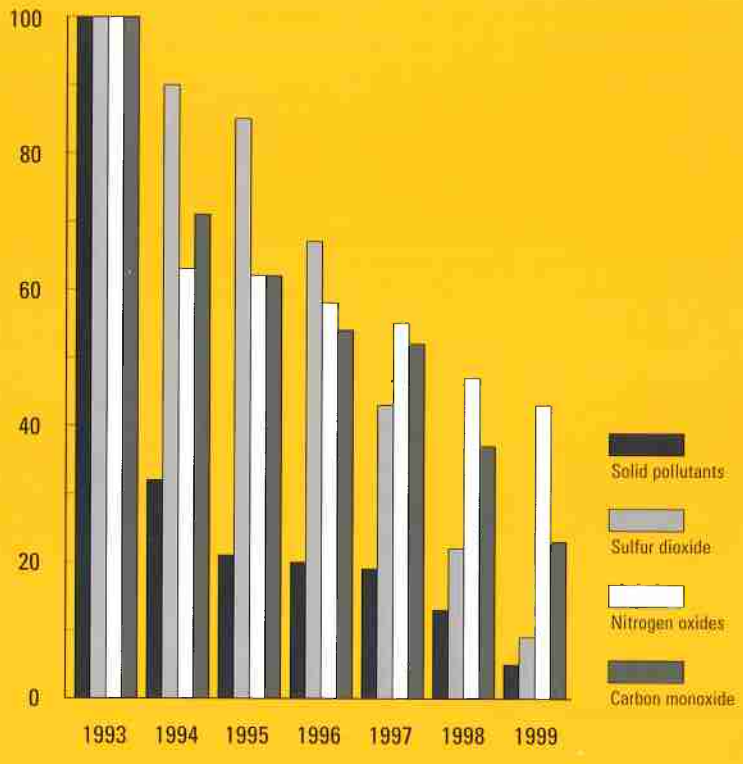
CLEAN AIR

The technical parameters of equipment whose purpose is to reduce emissions of pollutants into the air enable ČEZ, a. s. to comply with limits set forth by the Clean Air Act. Since 1993, ČEZ, a. s. has achieved a drastic reduction in all the principal air pollution categories, thereby helping to improve air quality, especially in the Czech Republic.

AIR POLLUTION EMISSIONS IN 1999 COMPARED WITH 1993

Air pollution	Unit	Solid pollutants	Sulfur dioxide	Nitrogen oxides	Carbon monoxide
1993	tons	55,393	719,149	122,212	17,099
1999	tons	2,541	63,460	52,717	4,017
Reduction	in %	by 95.4	by 91.2	by 57.0	by 76.5

EMISSIONS FROM ČEZ SOURCES, 1993 – 1999 (%)



DESULFURIZATION EQUIPMENT IN OPERATION AT 31 DECEMBER 1999

Power Station	Unit No.	Capacity (MW)	In operation since	Desulfurization technique
Počerady	5, 6	2x 200	1994	wet limestone scrubbing
	2, 3, 4	3x 200	1996	wet limestone scrubbing
Prunéřov I	3, 4, 5, 6	4x 110	1995	wet limestone scrubbing
Ledvice II	2, 3	2x 110	1996	semi-dry method
Prunéřov II	21, 22, 23, 24, 25	5x 210	1996	wet limestone scrubbing
Tušimice II	21, 22, 23, 24	4x 200	1997	wet limestone scrubbing
Tisová II	6	1x 100	1997	wet limestone scrubbing
Chvaletice	3, 4	2x 200	1997	wet limestone scrubbing
	1, 2	2x 200	1998	wet limestone scrubbing
Dětmarovice	1, 2, 3, 4	4x 200	1998	wet limestone scrubbing
Mělník II	9, 10	2x 110	1998	wet limestone scrubbing
Mělník III	11	1x 500	1998	wet limestone scrubbing
Total	**32 units**	**5,930**		

FLUIDIZED-BED BOILERS IN OPERATION AT 31 DECEMBER 1999

Power Station	Steam output (t/hour)	Corresponding electricity output (MW)	In operation since
Tisová I	2x 350	172	1996, 1997
Hodonín	2x 170	105	1996, 1997
Poříčí	2x 250	110	1996, 1998
Ledvice III	1x 350	110	1998
Total	**1,890**	**497**	

FOSSIL PLANT PHASE-OUT PROGRAM

From 1990 to the end of 1998, as part of the phase-out program, generation units and boiler islands representing aggregate installed capacity of 1,215 MW were gradually decommissioned. Another 750 MW of capacity at the Tušimice I (330 MW), Mělník II (220 MW) and Ledvice (200 MW) power stations were decommissioned as of 1 January 1999, bringing the total generation capacity decommissioned since 1990 to 1,965 MW.

CLEAN WATER, WATER MANAGEMENT

In the area of water protection and water use, ČEZ, a. s. proceeds in accordance with applicable laws, directives and decisions of water management authorities. Water use and wastewater discharge are subject to conditions set forth in decisions of water management authorities. These decisions also set forth the conditions according to which ČEZ, a. s. operates its dams and other waterworks.

BY-PRODUCT MANAGEMENT

In the course of electricity and heat generation in 1999, ČEZ, a. s. produced a total of 7.7 million tons of by-product, including ash, semi-dry desulfurization product, and industrial gypsum produced by the wet limestone scrubbing process. Of the total by-products amount, 3.8 million tons were used as secondary raw materials. The company's capacity to use by-products as secondary raw materials in this manner was increased significantly by the installation of dry removal and conveyance technology.

Ash and semi-dry desulfurization product are used in the recultivation of land affected by coal mining and settling pits. Several components of ash are also used to produce cement, concrete mixes, asphalt waterproofing materials, and masonry materials. Specially processed ash is used to build waste disposal facilities, where it serves as structural and sealing material in place of natural materials.

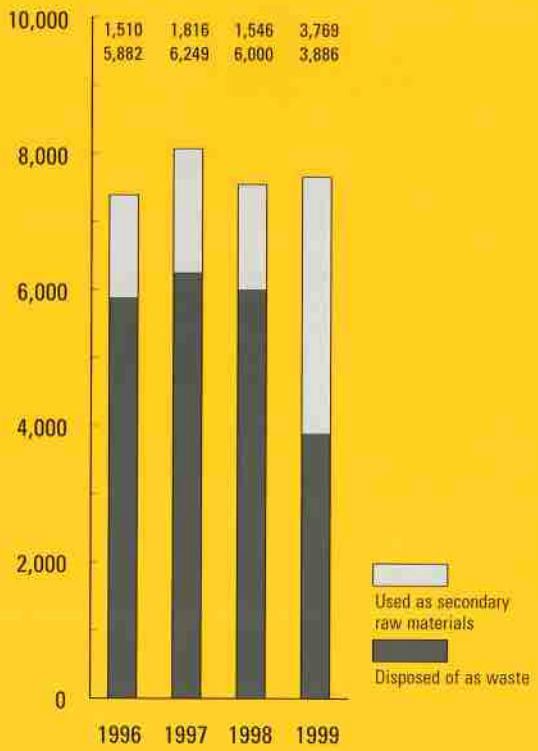
Industrial gypsum is used in the manufacture of gypsum drywall by Knauf and Rigips and in the production of cement as a substitute for natural gypsum.

The remaining 3.9 million tons of unutilized by-products were disposed at ČEZ's own disposal facilities in accordance with the Waste Act.

GENERATION AND USE OF BY-PRODUCTS IN 1999

	Unit	Total	%
Total by-products	mil. tons	7.655	100.00
of which: used as secondary raw materials	mil. tons	3.769	49.22
disposed of as waste	mil. tons	3.886	50.78

HANDLING OF BY-PRODUCTS, 1996 – 1999 (THOUSANDS OF TONS PER YEAR)



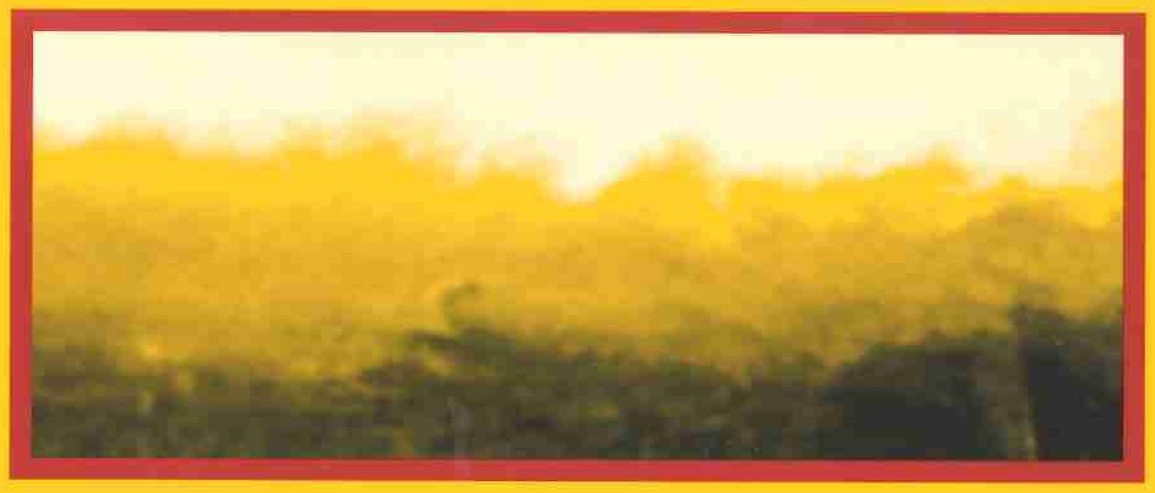
SUPPORT FOR RENEWABLE SOURCES OF ENERGY

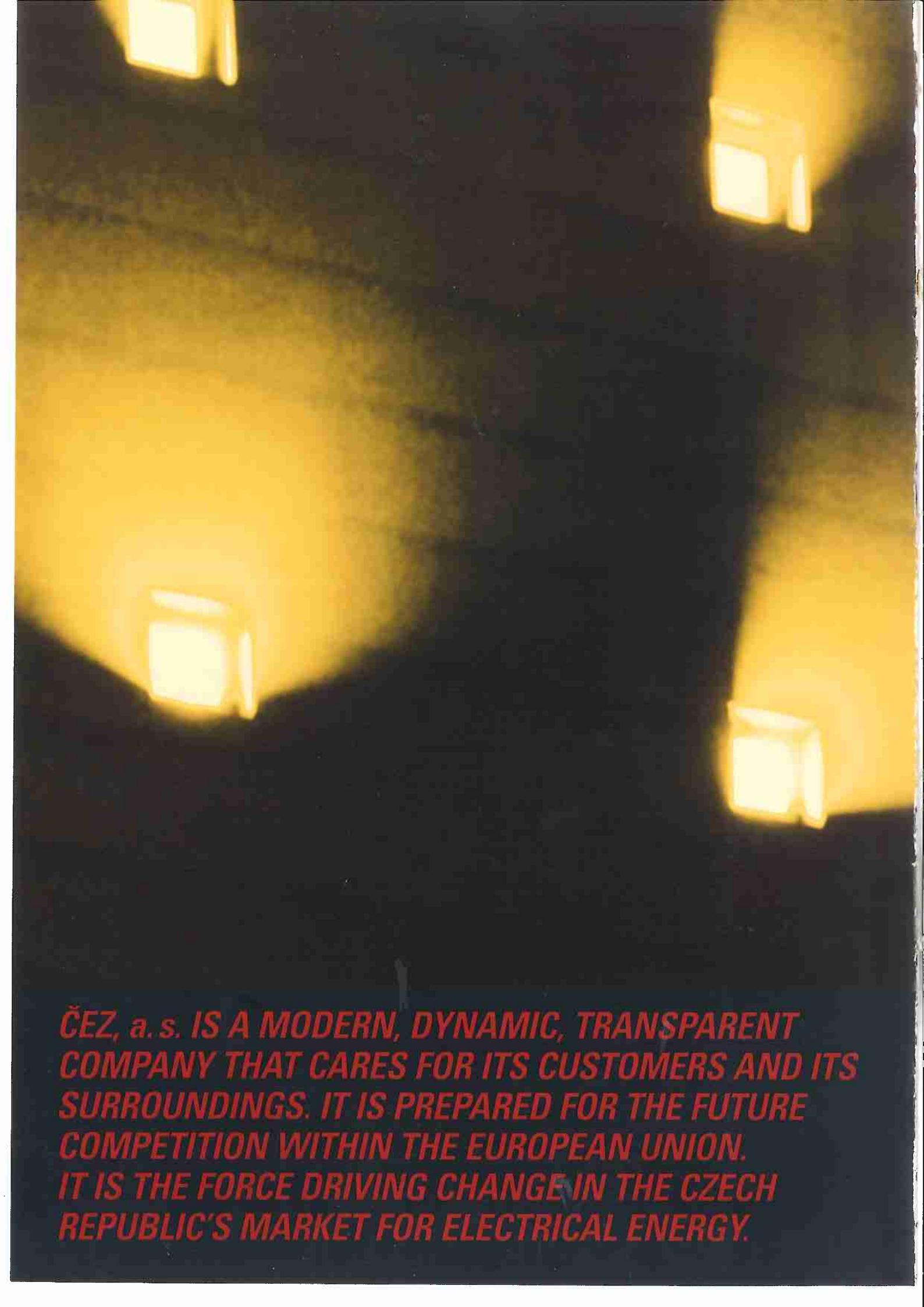
The long-term focus of ČEZ's activities in this area has been on the use of wind energy and the conversion of solar power into electricity using photovoltaic cells.

The first ČEZ wind power station with 315 kW of capacity was put into trial operation in November 1993. It is located at Dlouhá Louka near Osek in the Krušné Hory mountains. This facility is the site of long-term testing and measurement gathering, the goal of which is to optimize operations and increase the amount of electricity generated. From its commissioning in 1993 up until year-end 1999, the facility has generated a total of 1,039 MWh of electricity. The facility is currently operated by the Atmospheric Physics Institute of the Czech Academy of Sciences.

ČEZ, a. s. also operates a farm of wind power stations with a aggregate total capacity of 1,165 kW (220 kW, 315 kW, and 630 kW) at Mravenečník near Dlouhé Stráně. The complex also includes a 10 kW photovoltaic solar power plant. From its commissioning (November 1998) up until the end of 1999, this power complex has generated 267 MWh of electricity.

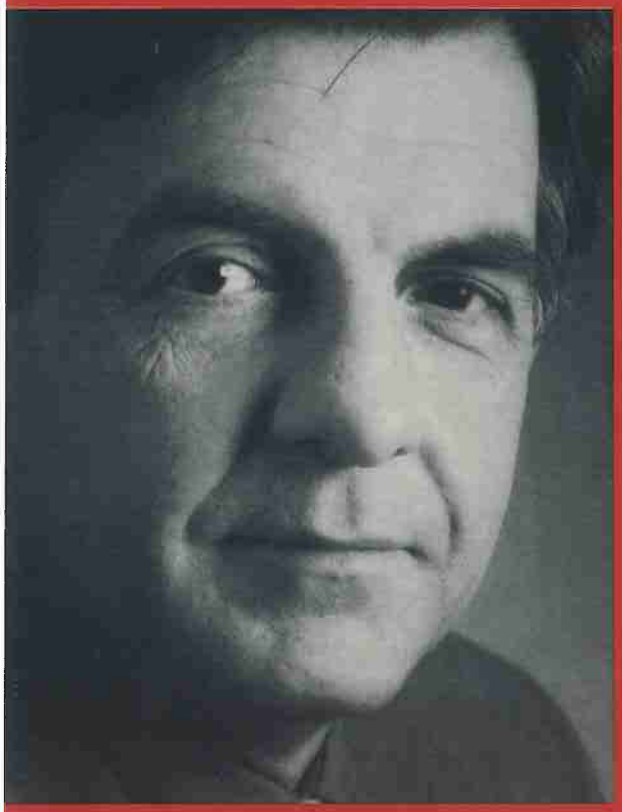
The company is also following advances in new technologies such as fuel cells, energy storage and energy conversion, including biomass combustion.





ČEZ, a. s. IS A MODERN, DYNAMIC, TRANSPARENT COMPANY THAT CARES FOR ITS CUSTOMERS AND ITS SURROUNDINGS. IT IS PREPARED FOR THE FUTURE COMPETITION WITHIN THE EUROPEAN UNION. IT IS THE FORCE DRIVING CHANGE IN THE CZECH REPUBLIC'S MARKET FOR ELECTRICAL ENERGY.

HUMAN RESOURCES



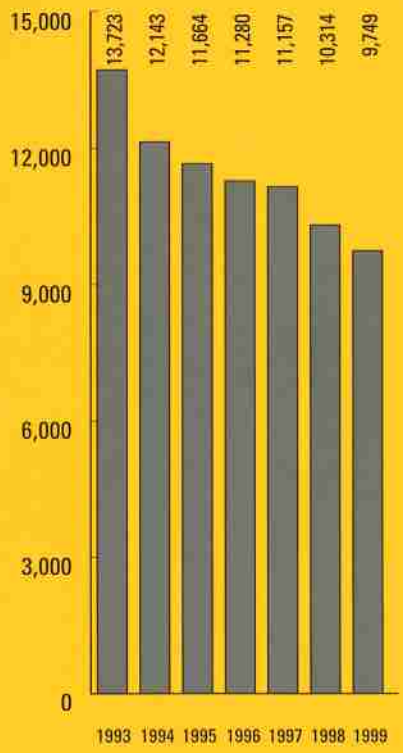
"ČEZ MUST HAVE APPRECIATION FOR PROFESSIONALS WHO ARE CAPABLE OF MAKING USE OF NEW AND NON-STANDARD SOLUTIONS, PARTICULARLY DURING TIMES OF FAST-PACED CHANGE."

(IVAN CELIZNA, EXECUTIVE DIRECTOR OF ČEZ, a. s. FOR HUMAN RESOURCES)

WORK FORCE SIZE AND STRUCTURE

The downsizing of ČEZ, a. s. continued in 1999 as a managed process with a further decrease in the number of employees by 565. The decrease was most pronounced at Headquarters, which downsized its staff by 82.

ČEZ/ČEPS WORK FORCE SIZE (AS OF 31 DECEMBER), 1993 – 1999

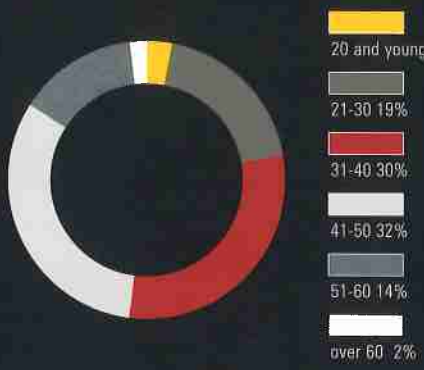


During the past few years the ČEZ work force as a whole has become gradually older. Average employee age has increased by over three years since 1992, to 42 years.

Employee qualifications, on the other hand, have shown overall improvement, thanks to the roll-out of new technologies.

ČEZ WORK FORCE BY AGE GROUP

31. 12. 1992



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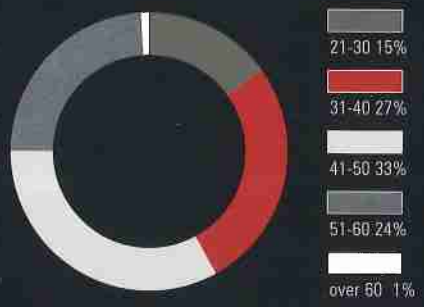

ČEZ WORK FORCE BY EDUCATION

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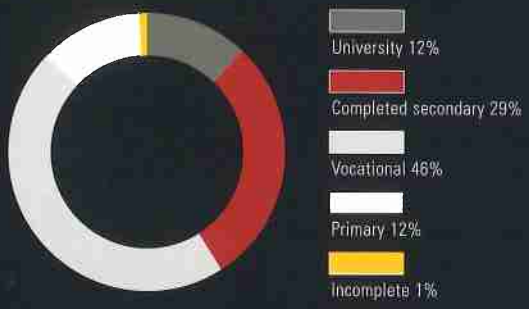

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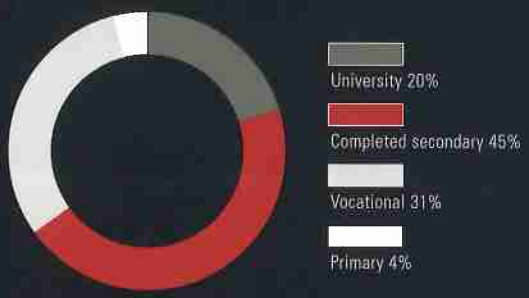


BENEFITS AND SOCIAL PROGRAMS

The amount budgeted for the company's various social programs was nearly CZK 500 million. An amount of CZK 100 million was allocated to the Social Fund out of 1998 profits. The primary uses of the Social Fund were the following:

- recreation and health sojourns,
- meal plans, mainly through the company's own cafeteria facilities,
- Supplementary Pension Insurance for nearly 90% of employees participating in the Supplementary Pension Insurance program,
- health care (above and beyond that paid for by standard health insurance),
- partial reimbursement of the cost of temporary accommodations,
- social aid,
- Retiree's Club activities.

As in previous years, employees and retirees received a contribution redeemable towards their electric bill.

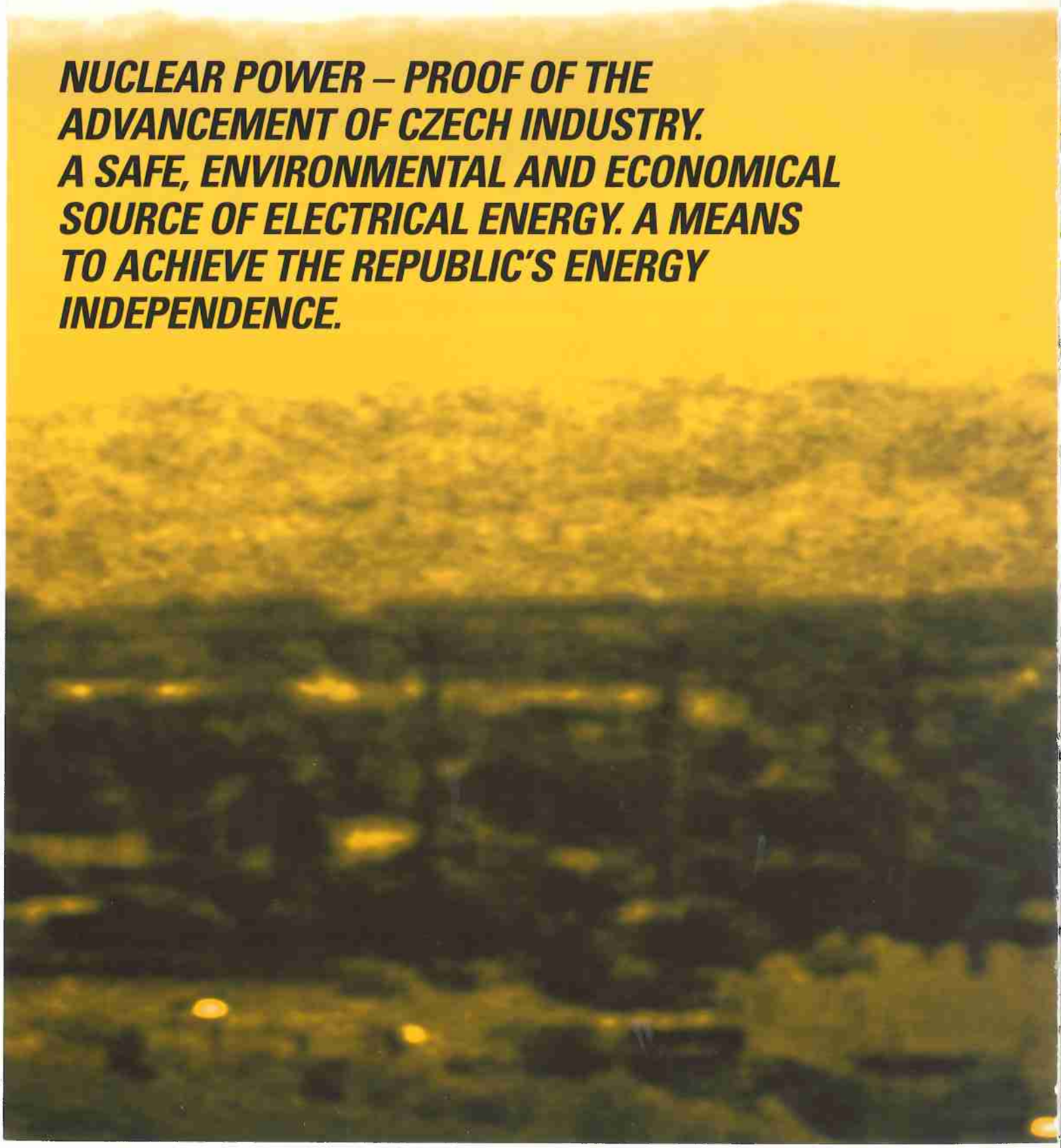
Employees were given the opportunity to receive an interest-free loan for housing purposes or to get through a difficult financial situation. In order to support the commenced sell-off of ČEZ residential housing (company apartments), an amount of CZK 150 million was reserved for company employees.

In accordance with applicable legislation, the company provided on-the-job health care and other health-related services.

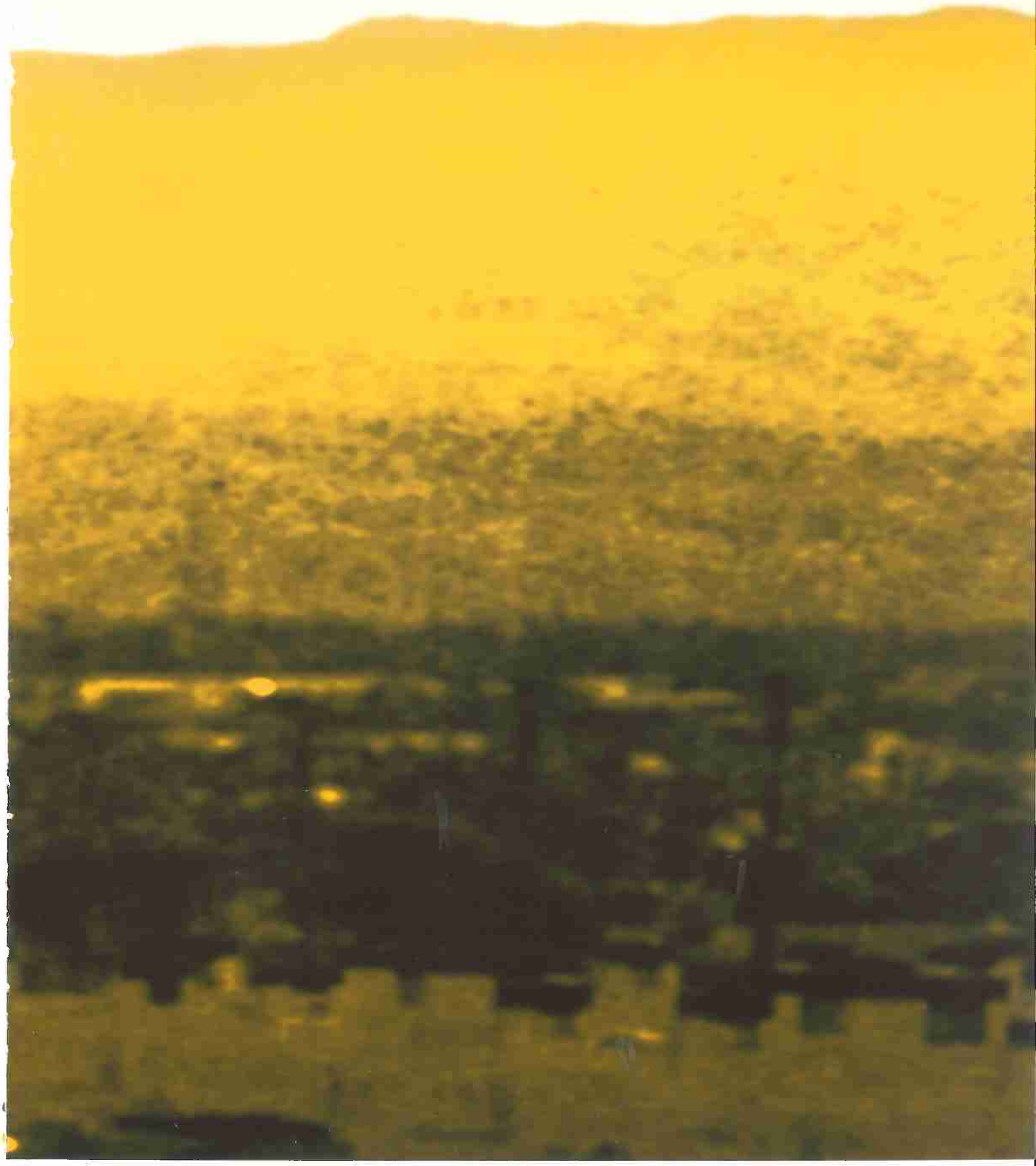
THE COMPANY AND THE LABOR UNIONS

The ČEZ unionized labor force consists of 5,076 member employees (55% of the overall work force) who are organized in 26 independent labor organizations, which in turn are organized into two labor unions: the Power Industry Employees Union (16 member organizations) and the Union of Northwest Czech Energy Employees (9 member organizations), with one labor organization operating as an independent.

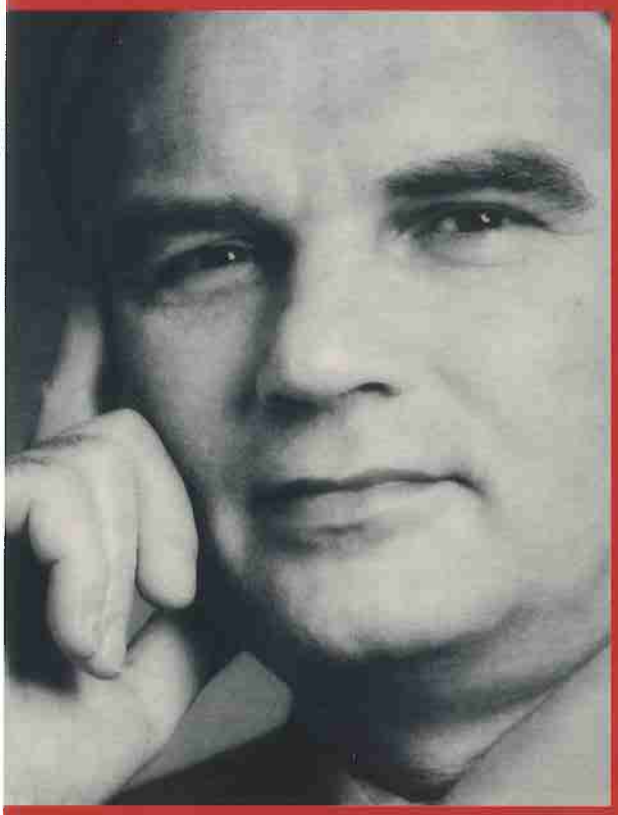
The process of negotiating the 2000 – 2001 Collective Agreement confirmed that relations between social partners are on solid footing. In its various provisions, the signed company-wide Collective Agreement sets forth the points of mutual understanding between the employer and the unions. The signature of the Collective Agreement in late 1999 was made possible by the introduction of a new wage system effective January 2000.



NUCLEAR POWER – PROOF OF THE ADVANCEMENT OF CZECH INDUSTRY. A SAFE, ENVIRONMENTAL AND ECONOMICAL SOURCE OF ELECTRICAL ENERGY. A MEANS TO ACHIEVE THE REPUBLIC'S ENERGY INDEPENDENCE.



ENERGY SECTOR OUTLOOK



"PRIVATIZATION AND THE LIBERALIZATION OF THE CZECH POWER SECTOR WILL TEST THE ABILITY OF ČEZ TO INTEGRATE ITSELF INTO EUROPEAN ELECTRICITY STRUCTURES."

(PETR VOBOŘIL, EXECUTIVE DIRECTOR OF ČEZ, a. s. FOR ECONOMICS)

DEVELOPMENT OF THE POWER INDUSTRY LEGISLATIVE FRAMEWORK

During 1999, work progressed on legislative amendments and the preparation of entirely new laws governing the power industry, including the Act on Conditions of Business Activity and State Administration in the Energy Industries (the "Energy Act"), the Act on Energy Management which also amends the Act on the State Environmental Fund of the Czech Republic (the "Energy Management Act") and the Act on the State Energy Inspection.

Two more laws whose preparation culminated in 1999 can be expected to have a further significant impact on business conditions in the energy sector. The first of these is the Act on Assessment of Environmental Impacts, which is to set forth requirements and procedures for assessing the impacts of business plans and proposed projects on the environment and repeal the current legislation in this area, which is Act of the Czech National Council No. 244/1992 Sb. The second piece of legislation is a law amending Act No. 199/1994 Sb. on Public Procurement, as amended, which would make electricity producers and distributors subject to the law's procurement procedures and requirements in certain cases.

In the area of implementing regulations, the following decrees took effect in 1999:

- Government Directive No. 11/1999 Sb. on Emergency Planning Zones, issued as an implementing regulation to the "Nuclear Act" – sets forth content requirements for defining Emergency Planning Zones and deals with selected activities of entities that hold permits to locate, build or operate nuclear facilities or facilities with very large sources of ionizing radiation;
- Ministry of Industry and Trade Decree No. 34/1999 Sb. amending Ministry of Industry and Trade Decree No. 95/1998 Sb. which contains the Network Control Rules of the Czech Republic Power System. Among other things, this decree changes the name of one of the network control entities (in conjunction with the spinoff of the transmission system from ČEZ, a. s.) and extends the existing legislation by adding schedules that set forth procedures for preparing the annual power system operation plan and provisions governing the manner in which various classes of generating sources are activated and deactivated;
- Decree of the State Nuclear Safety Agency No. 195/1999 Sb. on requirements placed on nuclear facilities to ensure nuclear safety, radiation protection, and preparedness for emergencies;
- Decree of the State Nuclear Safety Agency No. 196/1999 Sb. on decommissioning nuclear facilities or facilities with large or very large sources of ionizing radiation, setting forth in detail the manner and scope of radiation protection measures required for such facilities upon decommissioning, the manner in which such decommissioning shall take place, and the scope, content and form of required documentation;
- Decree of the State Nuclear Safety Agency No. 324/1999 Sb. which stipulates limits on the concentration and amount of nuclear material under which nuclear damage provisions shall not apply. This applies to nuclear material that is excluded from liability coverage for nuclear damages under law during transport or use outside of a nuclear facility.

Several statements of the Ministry of Foreign Affairs published in the Collection of Laws should also be mentioned: Statement No. 154/1999 Sb. concerning the signing by the Governments of the Czech Republic and the Russian Federation of an amendment to the Treaty on Cooperation in Nuclear Energy, Statement No. 372/1999 Sb. on the signing of an Energy Charter Treaty and Statement No. 373/1999 Sb. on the signing of a Protocol on Energy Conservation and Related Environmental Considerations.

BRIEF FORECAST OF POWER INDUSTRY DEVELOPMENT FROM THE VANTAGE POINT OF ČEZ, a. s.

1999 was a watershed year in terms of the conditions for doing business in the power industry. European Parliament Directive No. 96, relating to common rules for the internal electricity market, came into force in February.

European Union member states amended their legislation to reflect the principles of the Directive and commenced realization of the unified electricity market. Countries such as the Czech Republic which are in accession negotiations with the EU and harmonizing their legislation with that of the European Union now need to respect not only the principles of the unified electricity market, but also real developments which in a number of countries have moved faster and farther than originally planned.

Declining economic performance, ongoing changes in the economy's structure, and people's reaction to a steep rise in electricity prices in 1998 (including an increase in the VAT rate applicable to electricity from 5% to 22%) caused electricity consumption to fall further. Consumption is now at pre-1995 levels. Actual developments corresponded to the "pessimistic scenario" forecast in the electricity consumption prediction prepared last year by the Central Dispatch Center of the Czech Republic in cooperation with its members.

Further movement of electricity demand will depend mostly on the extent and structure of economic recovery. It can also be substantially influenced by the behavior of electric heat customers as further steps announced by the Czech Government are taken to do away with pricing imbalances during the upcoming three-year period.

From the draft Energy Act it is clear that the Czech Republic will choose for its electricity market the model applied in practically all EU member states – regulated third party network access. In order for this model to function smoothly and effectively, it will be necessary not only to pass the necessary legislation, but also to provide institutional and infrastructural support. ČEZ, a. s. is participating intensively in the preparations for an open market and endeavoring to accelerate them, since it sees the market as an opportunity to expand its business potential.

The new State Energy Policy was prepared in 1999 and approved by the Government of the Czech Republic in January 2000.

The following points concerning the State Energy Policy are significant from the vantage point of ČEZ, a. s.:

- It contains a positive assessment of the reliable operation of the synchronous connection of the Czech Republic Power System to the UCTE System (renamed from UCPTE effective July 1999) and the timely achievement of compliance with Clean Air Act emissions limits by fossil plants;
- It prefers useful and economical utilization of domestic energy sources (brown and black coal burned in fossil plants) without changing the current territorial limits for brown coal mining;
- It sets forth a policy of reliable electricity supply at a price that is as low as possible while still covering the costs of generation, transmission and distribution; in the transition period, market regulation should focus on:
  - transparent treatment of electricity supplies from generation facilities of 50 MW and higher based on minimum variable costs;
  - allowing electricity imports only when capacity imbalances are detected in the Czech Republic Power System.

ČEZ, a. s. is working to meet all of these goals and strategies and in certain areas they are integrated into the Change Program as well.

From a long-term perspective, the Czech Republic Energy Policy treats the future development of nuclear power as one of the possible means of meeting electricity needs in the period after 2015. Both the commissioning of the Temelín Nuclear Power Station and the extension of the useful life of the Dukovany Nuclear Power Station, the operation of which will have a major positive impact on decreasing CO_2 emissions, are in full accordance with the Policy.

ČEZ, a. s. is to be privatized in 2002 following its adaptation to the conditions set forth under new legislation.

The electricity market will be regulated using the accepted model by an independent regulatory authority only in those areas where there is a "natural monopoly", i.e. transmission, distribution, system services and supplies to protected customers. The electricity generation market will be exposed to competition, something which ČEZ, a. s. sees as an opportunity to bring to bear its competitive advantages.

ANTICIPATED FINANCIAL SITUATION OF ČEZ, a. s.

In 2000, ČEZ, a. s. expects to see a moderate improvement in economic performance over 1999.

Electricity sales revenues are expected to decline primarily in conjunction with the termination of the company's business relationship with Elektrárny Opatovice. This will also bring lower electricity procurement costs. The expected further decline in domestic electricity demand is offset by higher revenues from exporting electricity.

On the cost side, the company foresees a decrease in production consumption to be achieved by cost savings measures in repairs and maintenance, services and raw materials costs, although some of these costs are being shifted into electricity transmission costs (which will be paid year-round starting in 2000). The company plans to maintain other cost items (labor costs, taxes and fees, depreciation charges, financial costs etc.) at no higher than the previous year's levels.

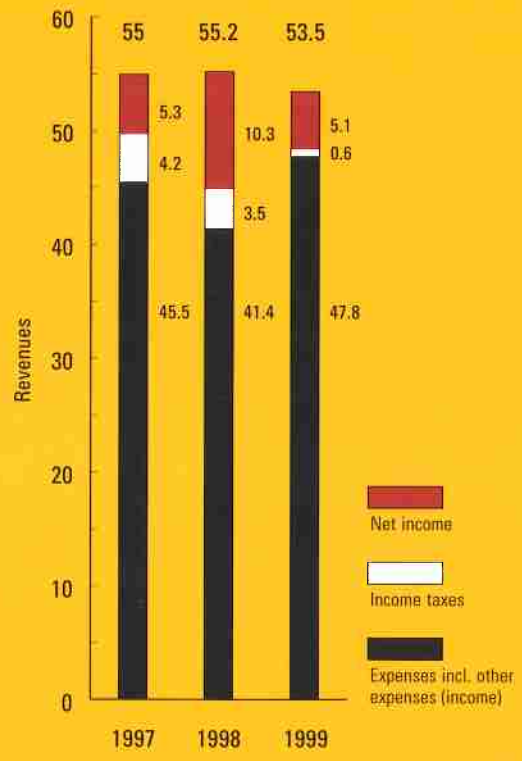
ČEZ, a. s. plans to spend approximately CZK 24 billion on capital investments, of which about CZK 10 billion will be spent on the Temelín Nuclear Power Station and CZK 1 billion will be used to restructure the portfolio of financial investments.

The company's financing is based principally on the use of operating funds (approximately CZK 13 billion) and drawdowns of long-term credit facilities exceeding repayments by approximately CZK 5 billion. The company financing plan does not envision any new bond issues in 2000. However, bonds may be floated in conjunction with the early repayment of the Third Domestic Bond Issue.

Cash management will rely on short-term loans and notes.

BUSINESS PERFORMANCE COMMENTARY

FORMATION OF PROFIT (CZK billions)



DEVELOPMENT OF REVENUE, COSTS AND PROFIT

The following diagrams present the most important economic results achieved by ČEZ in 1999 and compare them with the results of 1998 and 1997.

In 1999, ČEZ attained total revenue of CZK 53.5 billion with expenses of CZK 47.8 billion. Pre-tax profit dropped by CZK 8.1 billion (58.4%) to CZK 5.7 billion as a result of lower revenues (by CZK 1.7 billion) accompanied by higher operating expenses (by CZK 0.7 billion) and a change in the other expenses (income) category from other income of CZK 2.1 billion in 1998 to other expenses of CZK 3.6 billion in 1999 (net change of CZK 5.7 billion). The most important influence on lower pre-tax profit was exerted by currency exchange losses of CZK 2.6 billion (1998: net exchange rate gain of CZK 2.0 billion in 1998) and a 20% decrease in operating profit from CZK 11.8 billion to 9.4 billion. ČEZ realized a net profit of CZK 5.1 billion in 1999, which is CZK 5.2 billion (50.4%) less than in the previous year. Net income per share (CZK 100 par value) for 1999 dropped to CZK 8.7, which is approximately 50% less compared to 1998 (CZK 17.5).

"Total revenues" in 1999 decreased by CZK 1.7 billion (3.1%) compared with 1998. This decrease was the result of lower revenues from electric power sold (CZK 50.7 billion), a decrease of CZK 1.4 billion (2.6%), as well as other revenues lower by CZK 0.3 billion, while revenues from heat sold were roughly unchanged from 1998.

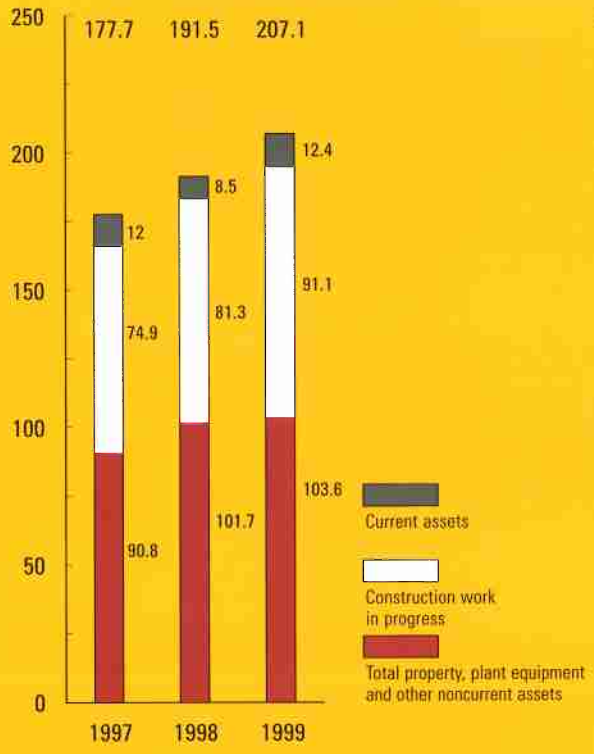
- "Revenues from electric power" supplied to Czech customers amounted to CZK 46.4 billion, a decrease of CZK 1.8 billion (3.7%). Electricity sold in the Czech Republic decreased from 43.7 TWh in 1998 to 40.6 TWh in 1999 (7.2%), the average price rose by 3.8% due to the fact that transfer prices for electricity between ČEZ and the distribution utilities set pursuant to a July 1998 decision of the Ministry of Finance were in effect for the full year as opposed to six months in 1998.
- "Revenues from exports of electricity" (CZK 4.3 billion) rose by 10.7% (CZK 0.4 billion), which relates to the growth in the volume of exported electricity (by 28.2%).
- "Revenues from heat" increased slightly (by 1.6%, i. e. CZK 0.027 billion) compared to 1998 levels. The amount of heat sold decreased by 6.6%, accompanied by an increase in the average price of heat by 8.8%.

"Overall expenses", including other expenses, rose to CZK 47.8 billion, which is CZK 3.7 billion (15.4%) more than in the previous year.

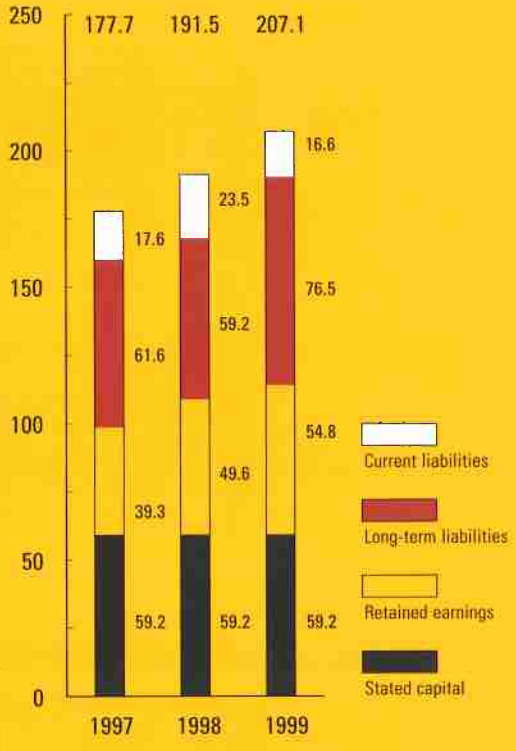
- "Fuel costs" of CZK 12.9 billion, accounting for 26.9% of overall expenses, decreased by 2.8% (CZK 0.4 billion), while the supply of electricity declined 4.6%.
- "Electricity purchase costs" of CZK 7.4 billion (15.6% of overall costs) increased by CZK 0.3 billion (4.9%) due to higher electricity procurement from other producers as well as higher imports.
- "Repair and maintenance costs" of CZK 4.2 billion (8.9% of overall costs) decreased by CZK 0.4 billion (8.7%).
- "Depreciation and amortization" rose (based on new fixed assets brought into use in 1998 and 1999) to a level of CZK 8.7 billion, representing an increase of 7.1%.
- "Personnel costs" of CZK 3.6 billion, representing 7.5% of overall expenses, increased on an annual basis by CZK 0.18 billion (5.2%) due mainly to the increased basic wage and salary tariffs (and the corresponding increase in social and health insurance) that took effect 1 January 1999.
- "Nuclear decommissioning and spent nuclear fuel storage costs" remained at the same level as in 1998 (CZK 1.0 billion).
- "Other operating expenses" rose from CZK 3.8 billion to CZK 4.2 billion, i. e. an annual increase of 9.5% mainly due to costs associated with the termination of the Tušimice I retrofit project.
- The "other expenses" item of CZK 3.6 billion changed from "other income" of CZK 2.1 billion in 1998, i. e. a year-on-year change of CZK 5.7 billion. The primary components in this change were provisioning for unrealized currency losses and gains caused by a weaker koruna (change of CZK 4.6 billion) and lower earnings of affiliates (CZK 0.8 billion).

STRUCTURE OF ASSETS

STRUCTURE OF NET ASSETS AS OF 31 DECEMBER (CZK billions)



STRUCTURE OF EQUITY AND LIABILITIES AT 31 DECEMBER (CZK billions)



The development of the asset structure of ČEZ in 1999 was characterized by a change in the structure of assets and liabilities.

"The total net assets" of the company amounted to CZK 207.1 billion at the end of 1999, up 8.1% from year-end 1998.

"Fixed assets" valued at CZK 194.6 billion comprise tangible and intangible assets (including investments under construction and advance payments) and financial investments. Fixed assets represent a 94% share in total assets and were up 6.4% compared to the previous year. Investments under construction and advance payments rose on an annual basis by 12.5 % to CZK 91.5 billion and their share in total assets increased slightly from 42.5% at year-end 1998 to 44.2% at the end of 1999.

"Current assets" comprised of inventory, receivables and financial assets reached a net level of CZK 12.4 billion at the end of 1999, which is an 46.5% increase compared to the end of 1998, due primarily to an increase in cash. Individual items in the current assets category developed as follows:

- "Cash", as a result of all activities in 1999, soared from CZK 1.0 billion to CZK 4.4 billion, a more than fourfold increase.
- At the end of 1999, net "receivables" increased by CZK 0.8 billion (by 23.0%) on year-end 1998 to a level of CZK 4.5 billion, which is approximately 36% of the company's current assets. The increase of receivables resulted mainly from an increase in the amount owed the company by the State.
- "Stocks of fossil fuels and material" slightly decreased from CZK 3.1 billion at the end of 1998 to CZK 3.0 billion, which represents 23.9% of the company's current assets.

"Shareholders' equity", which consists of the stated capital and retained earnings, amounted to CZK 113.9 billion at the end of 1999, representing 55.0% of the value of the company's capitalization and liabilities. The capitalization increased annually by CZK 5.1 billion (by 4.7%) mainly due to the growth in retained earnings.

"Stated capital" of the Company as of 31. 12. 1999 remained at the level of CZK 59.2 billion, the same as at the end of 1998.

"Long-term liabilities" increased to CZK 76.5 billion during 1999, i. e. by CZK 17.3 billion (29.2%). This was caused mainly by long term debt net of the amount due within one year, which was CZK 16.5 billion higher (47.8%), accompanied by an increased level of deferred income taxes (by CZK 0.5 billion) and higher amount of accumulated nuclear provisions (by CZK 0.3 billion).

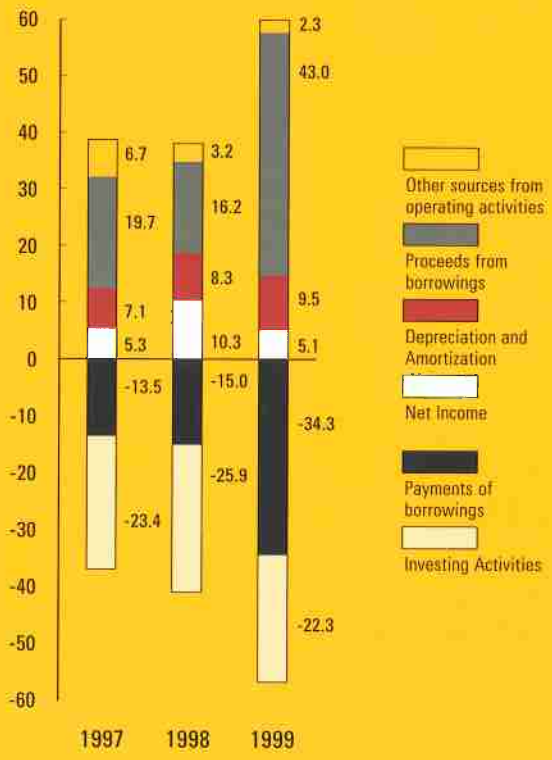
"Current liabilities" decreased during 1999 from CZK 23.5 billion to CZK 16.6 billion, i. e. by CZK 6.9 billion (29.1%). Short term borrowing increased by CZK 0.1 billion, but the extraordinarily high short-term portion of long-term debt (CZK 10.3 billion) at the end of 1998 dropped to CZK 2.7 billion, i. e. by 74.2%). This was caused mainly by the repayment of the Second Domestic Bond Issue in January 1999 (CZK 4 billion) and the Eurobond redemption in December 1999 (CZK 4.1 billion).

"Total debt", which at year end 1998 stood at CZK 47.6 billion, rose by CZK 9.0 billion during the year. The total amount of "bank loans" (CZK 23.8 billion) increased by CZK 3.0 billion, "outstanding bonds" (CZK 23.8 billion) were up CZK 4.4 billion and there is another new item: long-term advance payments of CZK 1.6 billion.

COMPANY FINANCING

Over the course of 1999 cash increased by CZK 3.4 billion. Operating activities provided CZK 16.9 billion and financial activities provided CZK 8.7 billion. Together these sources were used to cover the requirements of investment activities, which came to CZK 22.3 billion.

SOURCES AND USES OF FUNDS (CZK billions)



The "total amount of investment money spent" in conjunction with acquiring fixed assets in 1999 was CZK 22.3 billion, from which CZK 22.8 billion was used for additions of tangible and intangible assets, while proceeds from sales of fixed assets were CZK 0.5 billion.

The most significant items were CZK 11.3 billion (49.6%) for nuclear power engineering projects, of which CZK 10.3 billion (45.2%) was for the Temelín Nuclear Power Station.

"The financial requirements" of the Company were secured both from internal and external sources. Funds provided by operating activities totaling CZK 16.9 billion were accumulated mainly from the following items:

- net income of CZK 5.1 billion,
- depreciation of fixed assets of CZK 9.5 billion,
- amortization of nuclear fuel of CZK 1.5 billion,
- increased level of nuclear provisions CZK 0.3 billion,
- increase of receivables of CZK -0.7 billion,
- increase of materials and supplies of CZK -0.5 billion,
- decrease of fossil fuel stocks of CZK 0.5 billion,
- increase of accounts payable CZK 0.4 billion,
- increased accrued and deferred taxes of CZK 0.5 billion,
- equity (non-cash) from consolidation CZK -0.3 billion.

As of 27 January 1999, ČEZ, a. s. called and repaid its Second Domestic Bond Issue (CZK 4 billion). This issue was replaced by the Sixth and Seventh Domestic Bond Issues denominated in CZK with a total face value of CZK 7 billion. Both issues were lead arranged by ING Baring Capital Markets. The sixth issue consists of ten-year bonds with an aggregate face value of CZK 4.5 billion. As zero-coupon bonds, the yield is given by the difference between the face value (CZK 4.5 billion) and the price at which the bonds were sold upon issue (CZK 1.9 billion). The seventh issue consists of 15-year bonds with a total face value of CZK 2.5 billion. An annual 9.22% coupon will be paid during the first seven years. Starting from the beginning of the eighth year the bonds will convert to a variable interest rate of CPI + 4.20%.

In February the two previous issues of ČEZ, a. s. shares (nominal values of CZK 1,000 and CZK 1,100) were merged and split into shares with nominal value CZK 100.

A new note program was agreed on 3 March 1999. ČEZ, a. s. signed an agreement on issuance of notes with a consortium made up of Česká spořitelna, ČSOB and ING Baring. All told, CZK 5 million in 3-year notes were issued. There is an option to extend the note term.

In the second quarter, the ČEZ Board of Directors decided to purchase shares and voting rights to shares in regional electric utilities (all except for Pražská energetika, a. s. and Středočeská energetická, a. s.). To finance the share purchases, a CZK 1 billion, one-year loan was extended by Commerzbank AG under advantageous terms.

The Eighth Domestic Bond Issue totaling CZK 3 billion with a five year maturity and an 8.75% coupon was floated on 7 June 1999. The bond issue was managed by Česká spořitelna. The proceeds of the issue will be used to repay the bonds in the Fourth Domestic Bond Issue, which carry a 10.9% coupon.

On 20 October 1999, in cooperation with ČEZ Finance B. V., the company issued the Third Foreign Bond Issue (second Eurobond issue) with a total face value of 200 million EUR, lead managed by CS First Boston. This is a seven-year issue (maturing in 2006) of publicly tradable bonds with an annual coupon of 7.25%. The issue proceeds were used to repay the first ČEZ Eurobond issue of USD 150 million and to finance other company needs.

FINANCING OF WESTINGHOUSE CONTRACTS FOR THE TEMELÍN NUCLEAR POWER STATION

During the year negotiations went forward on extending the draw-down periods under a loan provided by a consortium of banks led by London-based Citibank with a guarantee issued by the U.S. Eximbank (and also including a Czech government guarantee). The success of these negotiations both with the creditors and with both guarantors together with the fulfillment of conditions precedent in November allowed us in December to complete the drawdown of loan funds earmarked for the purchase of nuclear fuel for Unit No. 1, as well as to continue (re)financing payments to Westinghouse during 2000 (for the Unit No. 1 Control System) and up until year-end 2001 (for the Unit No. 2 Control System and nuclear fuel). Once this USD 7 million tranche is drawn down completely, the amount remaining to be drawn on the entire loan facility will be approximately USD 153 million. In the Belgian part of the contract, the option to draw down a loan (for the control systems of both units) provided by a syndicate of banks led by Brussels-based Generale Bank and insured by OND, a Belgian insurer, was extended in the first half of 1998, so financing of supplies went forward smoothly in 1999. Approximately USD 17 million remains to be drawn under this facility.

BANK DEBT AND MATURITIES

LONG-TERM LOANS

Creditor	Currency	Maximum loan amount (millions)	Drawn down as of 31. 12. 1999 (CZK millions)	Repayment date
Bank Austria AG	ATS	271	461	2005
Citibank International	USD	317	4,465	2001 – 2008
Generale Bank	USD	55	1,204	2008 – 2009
Credit Lyonnais Bank	DEM	10	68	2001
ČSOB	USD	4	54	2002
ČSOB	DEM	108	870	1999 – 2004
Die Erste Bank AG	ATS	277	498	2004 – 2006
European Investment Bank	USD	55	1,879	2013
European Investment Bank	DEM	30	574	2013
European Investment Bank	EUR	29	1,105	2013
European Investment Bank	CZK	383	383	2012
ING Bank	NLG	59	623	2005
International Bank for Reconstruction and Development	USD	246	4,963	2007
IPB	CZK	55	9	2001
Nord Investment Bank	USD	50	1,799	2007
Komerční banka	CZK	368	61	1998 – 2003
The Sumitomo Bank	DEM	102	1,867	2003
The Sumitomo Bank	CZK	3,115	3,115	2003
Total long-term loans			**23,998**	
portion of which due by year-end 2000			2,197	
Long-term loans			**21,801**	

SHORT-TERM LOANS AND ADVANCES

Creditor	Maximum loan amount (CZK millions)	Drawn down as of 31. 12. 1999 (CZK millions)
Short-term loans		
Commerzbank	500	500
Commerzbank	500	500
Total short-term loans		**1,000**
Revolving loans		
IPB	2,504	1,804
Total revolving loans		**1,804**
Portion of long-term loans due within one year		2,197
Current bank debt		**5,001**

All loan installments were paid on time.

FINANCIAL INDICATORS

The following table shows the development of financial indicators, comparing the figures achieved by the end of 1999 with
- those expressing the covenants to be met in several debt contracts (World Bank loan, European Investment Bank loan),
- those from the end of 1998 and 1997,
- values recommended with regard to good company stability.

Profitability		1997	1998	1999
Return on equity (ROE) gross	%	9.89	13.35	5.16
Return on equity (ROE) net	%	5.49	9.99	4.61
Return on total assets (ROA) net	%	3.08	5.61	2.58
Return on capital employed (ROCE) net	%	3.94	7.21	3.29
Sales margin	1	0.17	0.25	0.11
Working ratio	%	58.2	59.1	61.8
maximum level – WB, EIB	%	60.0	60.0	60.0
Indebtedness				
Debt to equity ratio	1	0.47	0.44	0.50
Total indebtedness (provisions excluded)	%	33.8	32.8	35.2
maximum level – EIB, Eurobonds	%	50.0	50.0	50.0
Long – term indebtedness	%	24.1	19.4	25.2
Debt service ratio	1	3.4	2.25	2.28/1.48
minimum level – WB	1	2.2	2.2	2.2
minimum level – EIB	1	1.65	1.65	1.65
Liquidity				
Current ratio	1	0.68	0.36	0.75
Operational cash flow to liabilities ratio	%	24.0	26.2	18.2
Total assets turnover	1	0.31	0.29	0.26
Cash generation ratio	%	77.6	46.41	109.85/84.88
minimum level – WB	%	40.0	40.0	40.0
Fixed assets				
Coverage of fixed assets	%	96.6	91.8	97.8
Extent of depreciation	%	41	42	45
Capital market				
Earnings per CZK 100 share	CZK/share	8.9	17.5	8.7
Dividend share of profit	%	0	0	N/A
Price-earning ratio	1	11.5	3.5	10.2

THE WORLD BANK INDICATORS

"The working ratio" states that the ratio of total operating cash expenses to total operating cash revenues should not exceed 60%. "The debt service ratio" means that the company's net revenues must exceed the debt service by a factor of 2.2. "The cash generation ratio" states that the company has to create, from internal sources, funds which exceed 40% of the annual average of the capital expenditures incurred.

The loan agreement with the World Bank sets forth, inter alia, the following covenants:

a) A "working ratio", which may not exceed 60% of the ratio of total operating cash expenses to total operating cash income. The actual figure slightly exceeded this covenant amount in 1999. During the World Bank's regular inspection visits, ČEZ requested that it be granted an exception for this covenant for the years 1999 and 2000. The main reasons are end-consumer electricity price reform that has progressed slower than anticipated (with direct impact on the development of the prices at which ČEZ, a. s. sells electricity to the regional utilities), slower-than-forecast growth in electricity demand in the Czech Republic, and the postponement of the Temelín Nuclear Power Station start-up date in comparison with the start-up date envisioned in the 1992 loan agreement. The World Bank granted ČEZ's request in a letter dated 23 November 1999.

b) A "debt service ratio" covenant, under which the company must generate net revenues in 1999 of at least 2.2 times debt service. The amount achieved in 1999 is dependent on the treatment of the extraordinary bond-area program of 1999, in which three bond issues totaling CZK 11.1 billion were repaid (of which two of the repayments totaling CZK 7 billion were made prior to maturity) and at the same time four new bond issues totaling CZK 17.4 billion were floated. If the total amount of bond installments is not included in the calculation, the resulting value is 2.28, which is sufficient for compliance. However, if in conjunction with the debt refinancing, the purpose of which was to lower the average interest rate on

borrowed capital, only regular bond installments are included (and installments paid early are excluded), the resulting value for debt service ratio is 1.48, i.e. under the limit. In the interests of avoiding any potential misunderstandings, ČEZ, a. s. requested that the World Bank grant an exception under this indicator for the years 1999 and 2000. The World Bank granted the exception in the letter mentioned above.

c) A "cash generation ratio" covenant stating that at least 40% of average annual capital expenditures incurred (for the previous, current and following years) must be financed out of funds generated inside the company. The two values given in the above table relate (similarly to the previous covenant) to the alternative assessments of the bond program in 1999; ČEZ, a. s. is in compliance with the covenant regardless of which alternative is chosen.

THE EUROPEAN INVESTMENT BANK INDICATORS

The EIB loan agreement sets forth two of the same indicators as in the World Bank contract – the "working ratio", which should not exceed 60% and the "debt service ratio", which has to be higher than 1.65. The 1999 situation is described above. In addition, the EIB agreement includes a covenant that the "total indebtedness (provisions excluded)" should not exceed 50%. In 1999 ČEZ met this limit.

Profitability

"Return on equity (ROE) gross" (5.16%), i. e. profit before tax to average equity, decreased by 61.3% due to the lower income before taxation (by 58.4%), while average equity increased by 7.5%.

"Return on equity (ROE) net" (4.61%), i. e. profit after tax to average equity, dropped by 53.8% due to the lower net income (by 50.4%), while average equity, as already mentioned, increased.

"Return on total assets (ROA) net" (profit after tax to average total assets), amounted to 2.58%, 54% lower than in 1998 due to the decrease of net income (50.4%), while average total assets increased by 7.9%.

"Return on capital employed (ROCE) net" (profit after tax to average sum of total capitalization and long-term debt, net of amount due within one year) amounted to 3.29%, 54.3% lower than in 1998 due to the decrease of net income and growth of average capital employed (by 8.6%).

"Sales margin" (0.11). i. e. pre-tax profit to total revenues, decreased by 56.3% due to the decrease of pre-tax profit (58.4%) and revenues by 3.1%.

Indebtedness

"Debt to equity ratio" (total debt to total capitalization) of 0.50 increased from 0.44 at the end 1998 due to increase of total debt (by 18.8%) exceeding that equity (by 4.7%).

"Total indebtedness (provisions excluded)", i. e. total liabilities without provisions to total capitalization and liabilities, increased from 32.8% to 35.2%, because of increase of long-term debt (including short-term portion) by 19.7%, while total equity increased by 7.4%.

"Long-term indebtedness", i. e. long-term debt to total capitalization and liabilities, increased from a level of 19.4% at the end of 1998 to 25.2% mainly due to the increase of long term debt, net of amount due within one year, by 47.8%, while total capitalization and liabilities increased by 8.1%.

Liquidity

"Current ratio" (current assets to current liabilities) was 0.75, which is 107% above the level at the end of 1998 (0.36). There are several reasons for this jump. The first is the increase of current assets from CZK 8.5 billion to CZK 12.4 billion (by 46.5%) due to the increase of cash by CZK 3.4 billion, accompanied by a higher level of receivables by CZK 0.8 billion. The second reason is the decrease of current liabilities due to a drop in the short-term portion of long-term debt, which was at an extraordinarily high level at year-end 1998.

"Operational cash flow to liabilities ratio", i. e. cash flow from operating activities to total liabilities, decreased from 26.2% to 18.2% due to the lower cash flow from operational activities (by 21.6%), while the total amount of liabilities increased by 12.6%.

"Total assets turnover", i. e. total revenues to total assets, amounted to 0.26, and fell 12.0% from the level achieved in 1998 (0.29) due to revenues decreasing by 3.1% while total assets rose 8.1%.

Fixed assets

"Coverage of fixed assets", i. e. sum of long-term liabilities and total capitalization to fixed assets, increased from 91.8% to 97.8%, i. e. by 6.6%. While fixed assets increased only by 6.4%, long term liabilities (part of covering amount of funds) increased by 29.2% and the rest of covering funds (total equity) increased by 4.7%.

"Extent of depreciation", i. e. accumulated provisions for depreciation to initial value of plant in service, increased from 42% to 45%, as a result of lower amount of commissioned new equipment in comparison with the previous year.

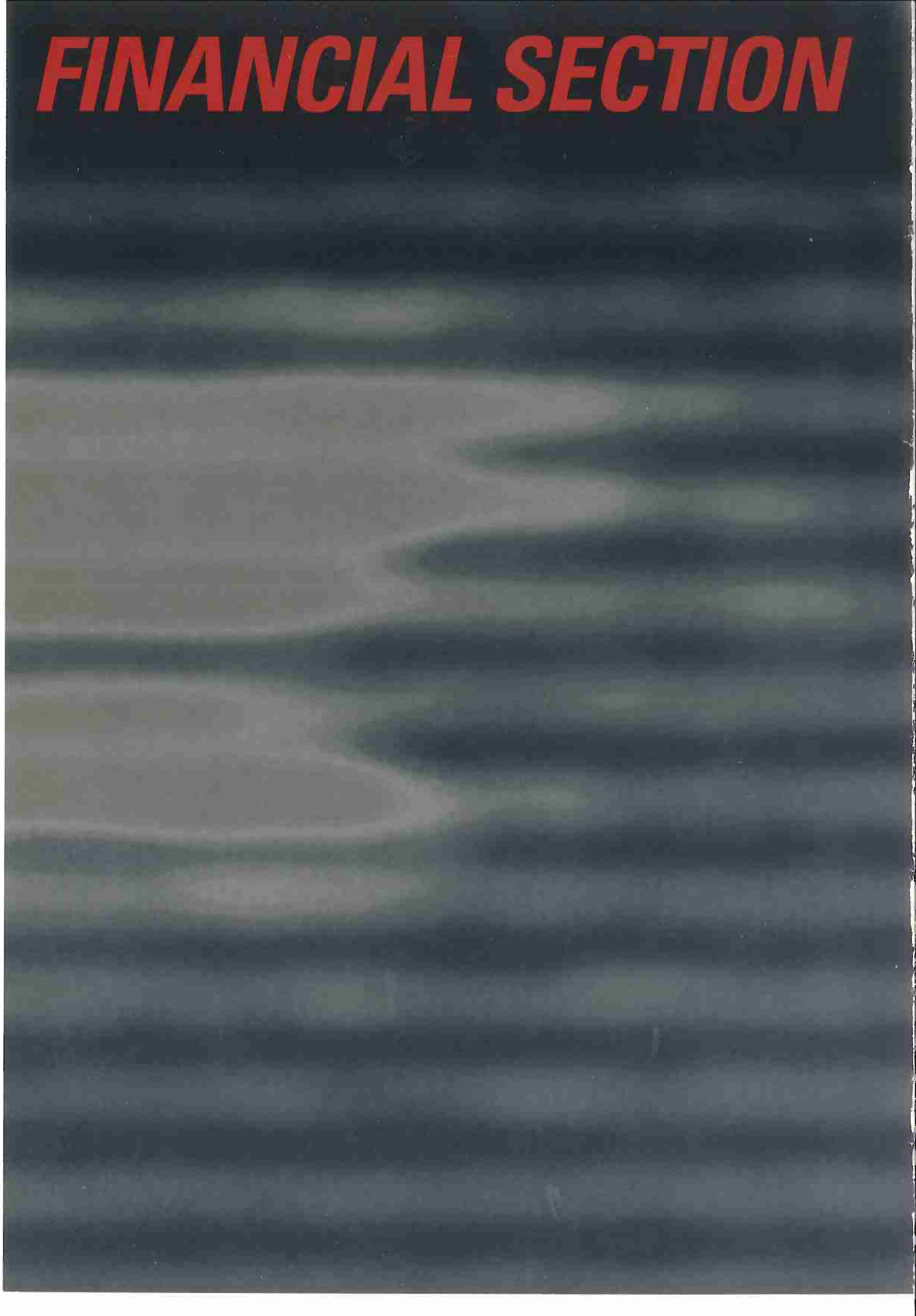
Capital market

"Earnings per CZK 100 share" dropped 50.4% from their year-end 1998 level (CZK 17.5) to CZK 8.7 as a result of lower net profit. The CZK 100 par value results from a split that took place in February 1999. Values from previous years are split-adjusted for comparison purposes.

"Dividend share of profit" is not available for 1999, because it will be the subject of the general meeting scheduled for July 2000.

"Price-earning ratio" (market share price to earnings per share) soared from 3.5 to 10.2, i. e. increased nearly three times due to the company's higher market capitalization, which increased to CZK 52.477 billion (45.1%) from the level at the end of 1998 (CZK 36.175 billion), in combination with earnings per share that were 50.4% lower than in the previous year.

FINANCIAL SECTION



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and the Supervisory Board of ČEZ, a. s.:

We have audited the accompanying consolidated balance sheets of ČEZ, a. s. (a Czech joint-stock company, "the Company") as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ČEZ, a. s. as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with International Accounting Standards issued by the International Accounting Standards Committee.

Arthur Andersen

Arthur Andersen Česká republika, k.s.
Prague, Czech Republic
March 15, 2000

I. CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 1999, 1998 AND 1997

(CZK millions)

	1999	1998	1997
ASSETS			
Property, plant and equipment (Note 4):			
Plant in service	163,973	156,592	143,207
Less accumulated provision for depreciation	73,983	66,175	58,721
Net plant in service	89,990	90,417	84,486
Nuclear fuel, at amortized cost	4,914	4,519	4,599
Construction work in progress (Note 3 and 17)	91,460	81,337	74,880
Total property, plant and equipment	**186,364**	**176,273**	**163,965**
Investments in affiliate (Note 15)	5,351	4,893	
Other noncurrent assets, net (Note 5)	2,911	1,819	1,737
Current assets			
Cash (Note 6)	4,357	1,007	4,097
Receivables, net (Note 7)	4,492	3,653	4,495
Materials and supplies, net	2,172	1,796	1,631
Fossil fuel stocks	797	1,284	1,227
Prepayments	615	747	570
Total current assets	**12,433**	**8,487**	**12,020**
TOTAL ASSETS	**207,059**	**191,472**	**177,722**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity (Note 8):			
Stated capital	59,209	59,209	59,195
Retained earnings	54,735	49,600	39,250
Total shareholders' equity	**113,944**	**108,809**	**98,445**
Long-term liabilities:			
Long-term debt, net of amount due within one year (Note 9)	51,084	34,561	39,689
Accumulated provision for nuclear decommissioning and fuel storage (Note 11)	16,272	15,974	15,664
Deferred income taxes (Note 14)	9,134	8,674	6,280
Total long-term liabilities	**76,490**	**59,209**	**61,633**
Commitments and contingencies (Note 17)			
Current liabilities:			
Short-term loans (Note 12)	2,804	2,704	3,204
Long-term debt due within one year (Note 9)	2,665	10,333	3,502
Account payable	4,552	4,046	4,796
Accrued liabilities (Note 13)	6,604	6,371	6,142
Total current liabilities	**16,625**	**23,454**	**17,644**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**207,059**	**191,472**	**177,722**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

(CZK millions)

	1999	1998	1997
Revenues:			
Sales of electricity	50,678	52,041	51,254
Heat sales and other revenues	2,864	3,201	3,737
Total revenues	**53,542**	**55,242**	**54,991**
Expenses:			
Fuel	12,856	13,220	13,228
Purchased power	7,444	7,095	7,419
Repairs and maintenance	4,233	4,634	3,869
Depreciation and amortization	8,740	8,162	6,943
Salaries and wages	3,584	3,407	3,250
Nuclear decommissioning and fuel storage	1,014	1,008	1,768
Materials and supplies	2,087	2,135	1,962
Other expenses	4,188	3,823	3,711
Total expenses	**44,146**	**43,484**	**42,150**
Income before other expense (income) and income taxes	**9,396**	**11,758**	**12,841**
Other expenses (income):			
Interest on debt, net of capitalized interest (Notes 2 and 9)	967	835	776
Interest income	(157)	(108)	(155)
Exchange rate losses (gains), net	2,609	(2,010)	2,182
Other expenses, net	703	485	563
Equity in earnings of affiliate	(476)	(1,275)	
Income before income taxes	**5,750**	**13,831**	**9,475**
Income taxes (Note 14)	**615**	**3,481**	**4,219**
Net income	**5,135**	**10,350**	**5,256**
Average number of shares outstanding (000s) (Note 8)	**592,088**	**592,019**	**591,753**
Net income per share, basic and fully diluted (CZK per share)	**8.7**	**17.5**	**8.9**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	Number of Shares with Face Value			Stated Capital	Retained Earnings	Total Equity
	CZK 1,100	CZK 1,000	CZK 100			
	Pcs.	Pcs.	Pcs. 000	CZK mil.	CZK mil.	CZK mil.
December 31, 1996	51,731,161	2,251,410		59,156	33,994	93,150
Additional paid-in capital – 1997		39,255		39		39
Net Income – 1997					5,256	5,256
December 31, 1997	51,731,161	2,290,665		59,195	39,250	98,445
Additional paid-in capital – 1998		13,904		14		14
Net Income – 1998					10,350	10,350
December 31, 1998	51,731,161	2,304,569		59,209	49,600	108,809
Split of Shares	(51,731,161)	(2,304,569)	592,088			
Net Income – 1999					5,135	5,135
December 31, 1999			592,088	59,209	54,735	113,944

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

(CZK millions)

	1999	1998	1997
Operating activities:			
Net income	5,135	10,350	5,256
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,542	8,274	7,108
Amortization of nuclear fuel	1,467	1,453	1,353
Gain/Loss in fixed assets retirements	97	(26)	(18)
Provision for nuclear decommissioning and fuel storage	299	310	1,509
Provisions for doubtful accounts, enviromental claims and other adjustments	120	(24)	(273)
Equity in earnings of affiliate, net of cash dividends	(325)	(1,173)	
Changes in assets and liabilities:			
Receivables	(674)	842	2,261
Materials and supplies	(476)	(169)	(252)
Fossil fuel stocks	487	(57)	(303)
Prepayments	116	(177)	740
Accounts payable	439	(750)	501
Accrued and deferred taxes	513	2,368	2,158
Accrued liabilities	206	399	(1,039)
Net cash provided by operating activities	**16,946**	**21,620**	**19,001**
Investing activities:			
Additions to property, plant and equipment and other non current assets	(22,843)	(25,973)	(23,585)
Proceeds from sales of fixed assets	533	60	232
Total cash used in investing activities	**(22,310)**	**(25,913)**	**(23,353)**
Financing activities:			
Proceeds from borrowings	42,994	16,239	19,730
Payments of borrowings	(34,280)	(15,036)	(13,503)
Total cash provided by financing activities	**8,714**	**1,203**	**6,227**
Net increase (decrease) in cash	**3,350**	**(3,090)**	**1,875**
Cash at beginning of period	**1,007**	**4,097**	**2,222**
Cash at end of period	**4,357**	**1,007**	**4,097**
Supplementary cash flow information			
Cash paid for:			
Interest	4,668	4,164	3,629
Income taxes	701	569	1,643
Interest received	153	107	155
Dividends received	133	135	19

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 1999

1. THE COMPANY

ČEZ, a.s. ("ČEZ" or "the Company") is a Czech Republic joint-stock company, which was established as of April 30, 1992. At December 31, 1999 the Czech Republic National Property Fund owned 67.6% of the Company. The remaining shares of the Company are publicly held. The address of the Company's registered office is Jungmannova 29, Praha 1, 111 48, Czech Republic. The average number of employees of the Company and its consolidated subsidiaries was 10,087 and 10,600 for the year 1999 and 1998, respectively.

ČEZ is an electricity generation and transmission company, which produced approximately 70% of the electricity and a minor portion of the district heating in the Czech Republic in 1999. The Company sells substantially all of its electricity to eight distribution companies ("REAS") in the Czech Republic (see Note 15). The Company operates ten fossil fuel plants, thirteen hydroelectric plants and one nuclear plant. The Company also has one nuclear plant under construction (see Note 3). In July 1999 the Company contributed property of its transmission division into a wholly owned subsidiary, ČEPS, a. s. (see Note 16).

On January 1, 1995 The Act on Conditions of Business Activity and State Administration in the Energy Industries and on State Power Inspection (the "Energy Law") became effective. The Energy Law, which applies to the electricity, gas and heat industries in the Czech Republic, grants the Ministry of Industry and Trade extensive regulatory powers with respect to the business of ČEZ, including monitoring certain new investments by the Company in electricity generating equipment and power lines. The Energy Law also designates the Ministry of Industry and Trade as the sole authorized body for submitting proposals for changes in the price of electricity, gas and heat to the Ministry of Finance. The Ministry of Finance establishes retail electricity prices pursuant to the Act on Prices.

As provided in the Energy Law, an independent Central Energy Dispatching association was established in April 1997. The Ministry of Industry and Trade, ČEZ, independent power producers and the REAS have 20%, 20%, 20% and 40% interests, respectively, in Central Energy Dispatching. Pursuant to the Energy Law and its articles of association, Central Energy Dispatching is responsible for balancing the demand and supply capacity of electricity on a long-term basis. ČEPS, a. s. provides short-term to real-time dispatch control. In 1998, the Ministry of Industry and Trade issued decrees pertaining to the central dispatching function.

In January 2000, the Czech Cabinet approved an energy bill which it is expected to become law by the end of 2001. The new bill provides for the main energy regulatory functions to be assumed by a new Energy Regulation Office (the "Office"), which is to issue licenses for generation, transmission, distribution and trading in electricity. The Office will also regulate prices and monitor the operations of the system. The Ministry of Industry and Trade will have a new role of deciding whether to allow the construction of new power stations or transmission/distribution networks. Third-party access is to be introduced gradually between 2002 and 2007 at which time every customer will be able to purchase electricity from any distributor, eligible generator, or trader.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company is required to maintain its books and records in accordance with accounting principles and practices mandated by the Czech Law on Accounting. The accompanying financial statements reflect certain adjustments and reclassifications not recorded in the accounting records of the Company in order to conform the Czech statutory balances to financial statements prepared in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Committee. The adjustments are summarized in Note 18.

Financial Statements
The accompanying consolidated financial statements of ČEZ are prepared in conformity with Statements of International Accounting Standards issued by the International Accounting Standards Committee and include the accounts of ČEZ, its wholly owned subsidiary ČEZ Finance B.V. (see Note 9) incorporated under law of The Netherlands and its wholly owned transmission subsidiary ČEPS, a. s. (see Note 16) incorporated under law of the Czech Republic. All significant intercompany transactions and accounts have been eliminated in consolidation. The Company has an investment in Severočeské doly, a. s. (see Note 15), which is accounted for using the equity method.

Estimates
The preparation of financial statements in conformity with international accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues
The Company bills for services rendered through the end of each month based on meter readings.
Approximately 91% of the Company's total electricity sales, 99% of domestic sales, are to eight regional electric distribution companies (see Note 1).

Fuel costs
Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 1,467, 1,453 and 1,353 million for the years ended December 31, 1999, 1998 and 1997, respectively.

Debt Issuance Costs
Debt issuance costs, amounting to CZK 96, 0 and 72 million in 1999, 1998 and 1997, respectively, are expensed as incurred.

Interest
Under International Accounting Standards, all interest costs incurred in connection with a construction program that theoretically could have been avoided if expenditures for the assets had not been made are capitalized. Such capitalized interest costs amounted to CZK 3,643, 3,334 and 3,026 million in 1999, 1998 and 1997, respectively.

Property, Plant and Equipment
Property, plant and equipment are stated at historical original cost. Original cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. Government grants received for construction of certain environmental installations decrease acquisition cost of respective items of property, plant and equipment. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. Renewals and betterment are capitalized. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the determination of net income.

Depreciation
The Company depreciates the original cost of property, plant and equipment by using the straight-line method over the estimated economic lives. The depreciable lives used for property, plant and equipment are as follows:

	Lives
Buildings and structures	25 – 50
Machinery and equipment	4 – 20
Furniture and fixtures	8
Motor vehicles	4 – 20

Average depreciable lives based on the functional use of property are as follows:

	Average Life
Hydro plants	
Buildings and structures	45
Machinery and equipment	20
Fossil fuel plants	
Buildings and structures	30
Machinery and equipment	10
Ash storage facilities	5
Nuclear power plant	
Buildings and structures	30
Machinery and equipment	12
Transmission lines	30
Transformer stations	16

Depreciation of plant in service was CZK 8,593, 8,026 and 6,970 million for the years ended December 31, 1999, 1998 and 1997, which was equivalent to a composite depreciation rate of 5.5%, 5.5% and 5.3%, respectively.

Investments
Investments (see Note 5) consist of majority and minority shareholdings in operationally related companies and minor interests in shares and share rights of the Company's electric distribution company customers (see Note 1). Investments are stated at their acquisition cost. Provisions for diminution in value are created on the basis of the expected realizable value of the investments.

Cash
Cash includes cash on hand, current accounts with banks and short-term bank notes with maturity of three months or less (see Note 6). Foreign currency deposits are translated at December 31, 1999 and 1998 exchange rates, respectively.

Nuclear Fuel
Nuclear fuel is stated at original cost, net of accumulated amortization. Amortization of fuel in the reactor is based on the amount of power generated.

Fossil Fuel Stocks
Fossil fuel stocks are stated at weighted average cost, which approximates actual cost.

Materials and Supplies
Materials and supplies are principally composed of power plant maintenance materials and spare parts. Cost is determined by using weighted average cost, which approximates actual cost. These materials are recorded in inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed. The Company records a provision for obsolete inventory as such items are identified. A provision of CZK 132 and 31 million was created against inventory for obsolete stocks as of December 31, 1999 and 1998, respectively.

Income Taxes
The provision for corporate tax is calculated in accordance with Czech tax regulations and is based on the income or loss reported under Czech accounting regulations, adjusted for appropriate permanent and temporary differences from Czech taxable income. In the Czech Republic income taxes are calculated on an individual company basis as the tax laws do not permit consolidated tax returns. Current income taxes are provided at a rate of 35%, 35% and 39%, for the years ended December 31, 1999, 1998 and 1997, after adjustments for certain items which are not deductible for taxation purposes.

Certain items of income and expense are recognized in different periods for tax and financial accounting purposes. Deferred income taxes are provided on temporary differences in financial statement and taxable income at the subsequent years tax rate using the liability method. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Income tax rates are published the year preceding their effectiveness and for 2000 the rate will be 31% (see Note 14).

Receivables, Payables and Accruals
Receivables are reported at net realizable value. Payables are recorded at invoiced values and accruals are reported at expected settlement values.

Translation of Foreign Currencies
Assets whose acquisition or construction costs were denominated in foreign currencies were translated to Czech crowns at the exchange rates prevailing at the date of each acquisition or at the date on which the related items were included in assets.

Foreign currency on hand, bank accounts, receivables and payables denominated in foreign currencies are translated to Czech crowns at the exchange rates existing at the transaction date and are adjusted at year-end to the exchange rates at that date as published by the Czech National Bank.

Exchange rate differences arising on settlement of transactions or on reporting foreign currency transactions at rates different from those at which they were originally recorded are included in the Statement of Income as they occur.

Repairs and Maintenance Accrual
Through 1999 the Company has accrued a provision for the estimated cost of major overhauls of its power plants. Such estimated costs were accrued on a straight-line basis for planned future overhauls over three years. When major overhaul costs were incurred the costs were charged against the accumulated overhaul provision. Minor repair and maintenance costs have been and will continue to be expensed when incurred. In 2000, however, pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Company will no longer accrue such costs but will charge them to expense as incurred. The effect of this accounting change will not have a material effect on either the Company's financial position or its results of operations (see Note 13).

3. TEMELÍN NUCLEAR POWER PLANT

The Company is currently constructing a nuclear power plant near Temelín, in the Czech Republic. The plant will consist of two Soviet-designed PWR 981 MW units with modifications to upgrade safety and operating systems.

Construction of the Temelín nuclear power plant commenced in 1986 but was delayed in 1990. In March 1993 the government of the Czech Republic approved the completion of two out of an originally planned four units and at the same time ordered a fundamental change in the design of the reactor, primarily to enhance operational safety of the nuclear power plant. This change consisted of adapting the already built Soviet plant technology to function with Western instrumentation and control systems. At this time the budgeted cost was CZK 69 billion with estimated fuel loading scheduled for the fall of 1995.

The adaptation of Western technology to the original Soviet plant construction at Temelín is the first such adaptation of its kind and, accordingly, has posed difficult and unprecedented technical challenges beyond what had been anticipated in 1993. As a result of extensive design and construction changes, the estimated completion date for Temelín has been delayed several times.

The investment in the Temelín nuclear power plant at December 31, 1999 and the budgeted cost to complete construction is as follows (in CZK billions):

	Unit No. 1	Unit No. 2	Joint Facilities	Total
Investment	31	28	21	80
Budget 2000	6	2	2	10
2001		7		7
2002		2		2
Budgeted cost to complete	6	11	2	19
Total budgeted cost	**37**	**39**	**23**	**99**

In addition to the total budgeted cost of CZK 99 billion, the Company will capitalize approximately CZK 10 billion of interest pursuant to its IAS interest capitalization policy.

Actual Temelín construction expenditures totaled CZK 10 billion, CZK 8 billion and CZK 5 billion for the years ended December 31, 1999, 1998 and 1997, respectively.

The Company expects that the first unit of the Temelín nuclear power plant will begin fuel loading and related testing in the summer of 2000 and will be fully operational from eight to ten months later. The second unit is expected to go into service from twelve to eighteen months after unit one. Based on the current status of the plants construction, the Company does not expect further construction delays or cost increases. However, as a result of past experience and due to the fact that implementing the design modifications at Temelín has no historical precedent, there can be no assurance that further delays and ensuing increases in investment costs will not occur.

Before Temelín can begin its test period, ČEZ must obtain various approvals from State Nuclear Safety Agency which are expected to be received before fuel loading. As a part of procedures to obtain final approvals, ČEZ has prepared several studies of the impact of certain parts of the nuclear power plant on the environment. The Ministry of Environment has raised concerns in the past about potential adverse environmental effects. The current opinion of the Ministry is unknown at this time. Environmental groups can also potentially attack approvals by legal actions.

Continuing environmental and other opposition to the plant could result in delay of the construction, fuel loading and related testing and/or initial operation of Temelín due to events beyond the control of management.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 1999 and 1998 is as follows (in CZK millions):

	Buildings	Plant and Equipment	Land and Other	Accumulated Depreciation	Net Plant in Service
December 31, 1997	**51,619**	**85,086**	**6,502**	**(58,721)**	**84,486**
Plant additions	2,961	10,195	1,108		14,264
Retirements	(75)	(574)	(82)	713	(18)
Change in provisions	(23)	(125)			(148)
Depreciation				(8,167)	(8,167)
December 31, 1998	**54,482**	**94,582**	**7,528**	**(66,175)**	**90,417**
Plant additions	3,289	4,659	879		8,827
Retirements	(596)	(874)	(173)	1,627	(16)
Change in provisions	112	85			197
Depreciation				(9,435)	(9,435)
December 31, 1999	**57,287**	**98,452**	**8,234**	**(73,983)**	**89,990**

Depreciation in 1999 includes CZK 842 million charged to other operating expenses in the consolidated statements of income for assets sold.

None of the Company's property, plant and equipment is pledged as security for liabilities.

5. OTHER NONCURRENT ASSETS

Other noncurrent assets at December 31, 1999 and 1998 consist of the following (in CZK millions):

	1999	1998
Investments in electric distribution companies (see Note 15)	811	
Other shareholdings (see Note 2)	1,633	1,378
Long-term receivables	72	82
Intangible assets	857	661
Less amortization	(462)	(302)
Total	**2,911**	**1,819**

6. CASH

The composition of cash at December 31, 1999 and 1998 is as follows (in CZK millions):

	1999	1998
Cash on hand and current accounts with banks	493	305
Short-term bank notes	3,548	500
Term deposits	316	202
Total	**4,357**	**1,007**

At December 31, 1999 and 1998, the current accounts with banks included foreign currency deposits of CZK 2,885 and 207 million, respectively.

The weighted average interest rate on short-term bank notes at December 31, 1999 and 1998 was 5.2% and 9.1%, respectively. For the years 1999, 1998 and 1997 the weighted average interest rate was 5.9%, 9.0% and 10.3%, respectively.

7. ACCOUNTS RECEIVABLE

The composition of accounts receivable at December 31, 1999 and 1998 is as follows (in CZK millions):

	1999	1998
Trade receivables	3,522	3,184
Refundable income taxes	957	412
Other	230	289
Less allowance for doubtful accounts	(217)	(232)
Total	**4,492**	**3,653**

8. STATED CAPITAL

The Company's stated capital as of December 31, 1999 and 1998 is as follows:

	Number of Shares	Value per Share (CZK)	Total (CZK millions)
		1999	
Registered shares	591,949,421	100	59,195
Approved shares	139,040	100	14
Total	**592,088,461**		**59,209**
		1998	
Series A	51,731,161	1,100	56,904
Series B	2,304,569	1,000	2,305
Total	**54,035,730**		**59,209**

Series A shares were initially issued at a nominal value of CZK 1,000 per share. Subsequently, the nominal value of the Series A shares was increased from CZK 1,000 to CZK 1,100. The Series B were issued in 1994 for the second wave of voucher privatization in exchange for certain Series A shares owned by the National Property Fund.

The Company's stated capital was increased by CZK 14 million (13,904 series B shares) in 1998 and by CZK 39 million (39,255 series B shares) in 1997, resulting from privatized property contributed to ČEZ by the National Property Fund. The 1998 capital increase has not been registered as of December 31, 1999.

In February 1999, the Series A and Series B shares were split into 591,949,421 shares having a nominal value of CZK 100 per share. The 139,040 shares relating to the 1998 capital increase had not been issued and registered at that date. Shares used in the calculation of earnings per share as shown on the Statements of Income reflect the effect of the share split and include the unissued shares.

9. LONG-TERM DEBT

Long-term debt at December 31, 1999 and 1998 is as follows (in CZK millions):

	1999	1998
7.125% Notes, due 2007 (a)	6,200	5,707
7.25% Eurobonds, due 2006 (b)	7,354	
8.75% Debentures, due 2004	3,000	
8.875% Eurobonds, due 1999		4,137
9.22% Debentures, due 2014 (c)	2,500	
10.9% Debentures, repaid in 1999		3,000
11.0625% Debentures due 2008	3,000	3,000
11.3% Debentures, due 2005	4,000	4,000
14.375% Debentures, repaid in 1999		4,000
Zero coupon Debentures, due 2009 (c)	2,105	
Non-collateralized long-term bank loans:		
less than 6.00%, due 2003 to 2013 (d, e)	4,875	9,412
6.00% to 6.99%, due 2003 to 2013 (d, f, g)	16,743	548
7.00% to 7.99%, due 2000 to 2013 (e)	1,121	4,665
8.00% and more, due 2001 to 2013 (e, h)	2,851	6,425
Total long-term debt (CZK 16,041 million of which is repayable in foreign currency)	53,749	44,894
Less: Current portion	(2,665)	(10,333)
Long-term debt, net of current portion	**51,084**	**34,561**

The future maturities of long-term debt are as follows (in CZK millions):

2000	2,665
2001	3,954
2002	4,609
2003	4,113
2004	4,813
Thereafter	35,595
Total long-term debt	**53,749**

a) In July 1997, ČEZ Finance B.V. (ČEZ F.B.V.) sold USD 200 million 7.125% notes, guaranteed by ČEZ, on the American Stock Exchange. On the same date, ČEZ borrowed USD 200 million from ČEZ F.B.V. and simultaneously entered into a swap transaction to exchange its USD 200 million liability to 359 million DM and the fixed interest rate was changed to a floating rate depending on the DM-LIBOR. The interest rate may float within a range of 5.095% – 7.85%. The swap was designed to minimize currency exchange risks and to reduce interest costs. The outstanding liability balance at December 31, 1999, after 1998 a retirement of USD 22 million notes, was DM 320 million.
In March and June 1999, ČEZ entered into three swap transactions designed to eliminate currency devaluation risk by exchanging its DM liability to CZK. In consideration for the exchange, ČEZ will pay interest at a rate equivalent to 9.49%, 9.76% and PRIBOR plus 1.25% on the DM 100 million, 100 million and 120 million portion of the liability, respectively.

b) In October 1999, ČEZ F.B.V. sold EUR 200 million 7.25% notes which were guaranteed by ČEZ. On the same date, ČEZ borrowed EUR 200 million from ČEZ F.B.V. In October 1999 ČEZ entered into six swap transactions to exchange 175 million of its EUR liability to CZK and into four interest rate swap transactions designed to decrease interest rates. As a result of the swap transactions, ČEZ will pay interest rate ranging from 3.79% below EURIBOR to EURIBOR on the 175 million portion of its EUR liability.

c) In January 1999, the Company issued two domestic bonds. One issue was for CZK 2,500 million due in 2014 with interest for the period from 1999 through 2005 of 9.22% and from 2006 with interest of CPI plus 4.2%. The other issue was for CZK 4,500 million zero-coupon bonds due in 2009 sold at 41.4% of the nominal value.

d) The Company has entered into a loan agreement with the International Bank for Reconstruction and Development for a USD 246 million loan to be drawn on through June 1999. In June 1998, the credit facility was split into USD 169.2 million, which is the amount committed as of June 10, 1998 and the unwithdrawn portion, which was converted to a DM 135.6 million credit facility.
As of December 31, 1999 USD 167.9 million and DM 59.1 million have been drawn under the agreement. The agreement contains financial covenants relating to capital expenditure coverage, cash flow coverage and debt service coverage. The Company obtained a waiver of the covenants for the years 1999 and 2000 for the debt service ratio and working ratio.

e) In July 1996, ČEZ signed an agreement with a consortium of twelve foreign banks, which provided a guarantee for a European Investment Bank loan to ČEZ in the amount of, or equivalent to, EUR 100 million. As of December 31, 1999 DM 30 million with an interest rate of 6.33%, USD 55 million with an interest rate of 7.05%, EUR 29.5 million with an interest rate of 5.17% and CZK 382.6 million with an interest rate 0.15% below PRIBOR have been borrowed.
In September 1998, ČEZ entered into swap transaction designed to eliminate currency devaluation risk by exchanging 21.1 out of its USD 55 million liability to CZK. In consideration for the exchange, ČEZ will pay interest at a rate equivalent to 10.2% from March 15, 1999 through September 15, 2005, the period covered by the swap agreement.
In January 1999, ČEZ entered into swap transactions, which exchanged 6.9 out of its DM 30 million and 6.8 out of its EUR 29.5 million liabilities to CZK. In consideration for the exchange, ČEZ will pay interest at a rate equivalent to 7.08% and 5.8% on the DM and EUR portion, respectively, for the period from March 15, 1999 through September 15, 2003, the period covered by the swap agreements.
In September 1999, floating interest rate on a CZK 382.6 million liability was hedged for the period from December 15, 1999 through December 17, 2001, by three interest options to a maximum of 7.695% if PRIBOR is below 8.5%. If PRIBOR is above 8.5%, ČEZ will pay an interest rate of 0.805% below PRIBOR.

f) In December 1996, the Company entered into two syndicated credit facility agreements to secure financial resources for the completion of the Temelín nuclear power plant (see Note 3). The first facility is for USD 317 million, with an interest rate of LIBOR plus 0.3% and a maturity date in October 2008, and is guaranteed by the Export Import Bank of the United States (EXIM) and by the Czech Republic. There were USD 129.1 million outstanding on this facility as of December 31, 1999. The second facility is for USD 55 million, with an interest rate of LIBOR plus 0.5% and a maturity date in November 2009, and is guaranteed by Belgium Office National du Ducroi and by the Czech Republic. There were USD 34.7 million outstanding on this facility as of December 31, 1999.
In December 1998, the Company entered into three swap transactions to exchange USD 62.7 and 6.6 million of the two credit facilities, respectively to CZK. The amount represents six repayments of the principal for both facilities. The swap was designed to eliminate currency exchange risks for those USD liabilities.

g) In November 1998, the Company entered into a syndicated credit facility agreement with a consortium of thirteen banks. The credit facility was drawn in two tranches. The first tranche is a multicurrency term loan facility in an aggregate amount of DM 102 million, with an interest rate of LIBOR plus 0.5%. The second tranche is a CZK term loan facility in an aggregate amount of CZK 3,115 million, with an interest rate of PRIBOR plus 0.5%. There were DM 102 million and CZK 3,115 million withdrawn on this facility as of December 31, 1998.
In January 1999, ČEZ entered into a swap transaction to exchange its DM liability to CZK. In consideration for the exchange, ČEZ will pay interest at a rate equivalent to PRIBOR plus 0.595%.

h) In September 1998, ČEZ entered into a swap transaction designed to eliminate currency devaluation risk by exchanging its DM 60.2 million loan drawn from ČSOB for desulphurization program to CZK. In consideration for the exchange, ČEZ will pay interest at a rate equivalent to approximately 15.6% for the period covered by the swap agreement, i.e. from September 25, 1998 through June 29, 2004. The balance of the liability outstanding as of December 31, 1999 was CZK 47.4 million.

During the first quarter of 2000, the Czech crown devaluate against US dollar. Had the foreign currency debt been calculated at March 15, 2000 rather than December 31, 1999, the CZK 5.1 billion profit for the year ended December 31, 1999 would have been reduced by CZK 222 million.

In the normal course of business, the financial position of the Company is routinely subjected to a variety of risks, including market risk associated with interest rate movements and currency rate movements on non-Czech crown denominated liabilities. The Company regularly assesses these risks and has established policies and business practices to help protect against the adverse effects of these and other potential exposures.

In 1999 the Company incurred an exchange rate loss of CZK 2,609 million and in 1998 the Company had an exchange rate gain of CZK 2,010 million. The actual exchange rate losses/gains were partially mitigated as a result of currency swap agreements, as described above.

The 1999 exchange rate loss reduced net income by 33.7% and the 1998 exchange rate gain increased net income by 16.5%. Had the Company not partially hedged its currency rate movement exposure through currency swap agreements, the 1999 exchange rate loss and the 1998 exchange rate gain would have been 35.4% and 15.8% of net income, respectively.

As currency rate movements expose the Company to significant risk, the Company uses sensitivity analysis to determine the impacts that market risk exposures may have on the fair values of the Company's financial instruments. To perform sensitivity analysis, the Company assesses the risk of loss in fair values from the impact of hypothetical changes in foreign currency exchange rates and interest rates on market sensitive instruments and considers the costs and expected benefits of various hedging techniques.

In 1999 ČEZ began hedging against foreign currency exchange rate fluctuations affecting its expenses of operations by using an option strategy (zero cost premium). Management believes this is the most effective strategy in situations where it is not possible to accurately predict the amount and maturity of expenses.

With respect to changes in interest rates, the Company's sensitivity analysis indicates that a 10% decrease or a 10% increase in the levels of interest rates, with all other variables constant, would not have materially affected the Company's earnings for the years ended in December 31, 1999, 1998 or 1997.

The Company will continue to explore cost-effective possibilities to reduce its current exchange rate movement and other market risks.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, receivables and accounts payable approximates fair value. The estimated fair value of the Company's long-term debt, including current maturities, was CZK 53,846 million and CZK 45,015 million at December 31, 1999 and 1998, respectively, compared to the carrying amounts of CZK 53,749 million and CZK 44,894 million at December 31, 1999 and 1998, respectively.

11. NUCLEAR DECOMMISSIONING, RADIOACTIVE WASTE AND SPENT FUEL DISPOSAL

ČEZ's operating nuclear plant, Dukovany, consists of four 440 MW units which were placed into service from 1985 to 1987. ČEZ is also constructing a second nuclear power plant, Temelín (see note 3). The Czech government has enacted an Atomic Act ("Act") which came into full force as of July 1, 1997. The Atomic Act defines certain obligations for the decontamination and dismantling ("decommissioning") of the Company's nuclear power plants and the final disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned at the end of the plant's operating life, 2018 for Dukovany. A 1997 Dukovany decommissioning cost study estimates that the nuclear decommissioning will cost CZK 12.5 billion. According to the Act an update of the study is required every five years.

Estimated decommissioning of the NPP Dukovany, and disposal for Dukovany, have been calculated in several technical studies performed by the Company based on estimates from various western nuclear facilities. A provision for decommissioning and disposal costs has been recorded from the initial operations of Dukovany. ČEZ has updated and reviewed, as of the July 1, 1997 effective date of the Act, its previous estimates for decommissioning and disposal, and adjusted its annual accruals on a prospective basis from that date.

Pursuant to the Act, the Ministry of Industry and Trade established, in May 1997, the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a "nuclear account" funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government resolution on August 13, 1997, as 50 CZK/MWh produced at nuclear power plants. Since October 1, 1997, ČEZ has made regular payments to the nuclear account based on average nuclear MWh generated during last 5 years. The originator of radioactive waste directly covers all costs associated with interim storage of radioactive waste and spent fuel. ČEZ continues to accrue for the cost of the interim storage of spent fuel. Actual costs incurred are charged against the accumulated provision for spent fuel storage.

The actual decommissioning and disposal costs may vary from the above estimates because of regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment. Further, pursuant to a new IAS statement, No. 37 "Provisions, Contingent Liabilities and Contingent Assets", in 2000 ČEZ will change its accounting for nuclear decommissioning from accruing the decommissioning liability over the estimated life of the plant to recording its best estimate of the expenditure required to settle the present decommissioning obligation at the date of the balance sheet. The cost of the nuclear plants will be increased by the same amount. ČEZ is currently determining the amount of the liability to record for Dukovany and for Temelín which is scheduled to begin testing in 2000 (see Note 3).

The amounts accrued at December 31, 1999 and 1998 are as follows (in CZK millions):

	1999	1998
Decommissioning	6,793	6,457
Spent fuel storage	9,479	9,517
Total	**16,272**	**15,974**

The current year expenses are as follows (in CZK millions):

	1999	1998	1997
Decommissioning	336	332	682
Spent fuel:			
Storage accrual	40	44	929
Payment to nuclear account	638	632	157
Total	**1,014**	**1,008**	**1,768**

The Company charged CZK 78, 66 and 102 million against the spent fuel provision in 1999, 1998 and 1997, respectively.

12. SHORT-TERM LOANS

Short-term loans at December 31, 1999 and 1998 are as follows (in CZK millions):

	1999	1998
Revolving credit agreements	1,804	2,504
Loans	1,000	200
Total	**2,804**	**2,704**

ČEZ has in place the following revolving credit facilities:

Agreement	Balance December 31, 1999	Balance December 31, 1998	Credit Agreement Limit (CZK millions)	Term
Domestic	409	509	609	3 years: to 2002
Domestic	1,395	1,995	2,595	5 years: to 2004
Total	**1,804**	**2,504**		

Interest on these loans is variable. The weighted average interest rate was 10.3% and 13.6% at December 31, 1999 and 1998, respectively. For the years 1999, 1998 and 1997 the weighted average interest rate was 9.9%, 14.2% and 11.3%, respectively.

13. ACCRUED LIABILITIES

Accrued liabilities at December 31, 1999 and 1998 consist of following (in CZK millions):

	1999	1998
Repairs and maintenance accrual (Note 2)	3,147	3,130
Unbilled goods and services	588	371
Accrued interest	1,445	1,503
Estimated environmental claims (Note 17)	530	557
Social and bonus funds	366	403
Other accrued liabilities	528	407
	6,604	**6,371**

14. INCOME TAXES

Income Tax Legislation
Corporate income tax is calculated in accordance with the Czech tax regulations at the rate of 35% in 1999 and 1998, respectively. The corporate income tax rate for 2000 will be 31%.

The Czech Republic currently has a number of laws related to various taxes imposed by governmental authorities. Applicable taxes include value-added tax, corporate tax, and payroll (social) taxes, together with others. In addition, laws related to these taxes have not been in force for significant periods, in contrast to more developed market economies; therefore, implementing regulations are often unclear or nonexistent. Accordingly, few precedents with regard to issues have been established. Often, differing opinions regarding legal interpretations exist both among and within government ministries and organizations; thus, creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in the Czech Republic substantially more significant than typically found in countries with more developed tax systems. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements; however, the risk remains those relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant.

The tax authorities have audited income tax returns of the Company through 1994.

Income Tax Provision
The components of the income tax provision are as follows (in CZK millions):

	1999	1998	1997
Current income taxes	155	1,087	2,122
Deferred income taxes	1,537	2,535	1,730
Change of valuation allowance for deferred tax assets	(1,077)	(141)	367
Total	**615**	**3,481**	**4,219**

A reconciliation of "expected" income tax expense to the actual tax expense is as follows (in CZK millions):

	1999	1998	1997
Income before income taxes	5,750	13,831	9,475
Statutory income tax rate	35%	35%	39%
"Expected" income tax expense	2,012	4,841	3,695
Add (deduct) tax effect of:			
Czech/IAS accounting differences	(115)	(123)	89
Non deductible nuclear provisions	26	28	429
Unrealized foreign exchange		(544)	791
Other non deductible provisions, net	(330)	(21)	(114)
Investment tax relief	(44)	(252)	(480)
Other non deductible (nontaxable) items, net	131	78	494
Tax credits		(22)	(1)
Additional tax assessments (tax refunds)	156	(5)	51
Effect of application of IAS 12 (revised 1996)		(499)	
Difference resulting from using subsequent year tax rate for the calculation of deferred taxes	(1,221)		(735)
Income taxes	**615**	**3,481**	**4,219**
Effective tax rate (Note 2)	**11%**	**25%**	**45%**

Deferred Taxes, Net

Deferred income taxes at December 31, 1999 and 1998 consist of the following (in CZK millions):

	1999	1998
Accumulated provision for nuclear decommissioning and spent fuel storage	4,541	5,249
Tax loss carryforward	85	
Foreign exchange	585	
Other provisions	305	369
Total deferred tax assets	**5,516**	**5,618**
Valuation allowance for deferred tax assets	(4,541)	(5,618)
Deferred tax assets, net	**975**	
Tax depreciation in excess of financial statement depreciation	5,437	4,484
Capitalized interest	4,208	3,682
Income from affiliate	464	410
Foreign exchange		98
Deferred tax liabilities	**10,109**	**8,674**
Total deferred tax liabilities, net	**9,134**	**8,674**

15. RELATED PARTIES

The Company purchases products from related parties in the ordinary course of business. Approximately 70% of the fossil fuel consumption is supplied by Severočeské doly, a.s., a company in which ČEZ holds a 38% share. In 1999, 1998 and 1997, coal purchases from Severočeské doly, a.s., amounted to 5,951, 5,836, and 5,656 million CZK, respectively. Receivables from Severočeské doly, a.s. amounted to 14 and 6 million CZK as of December 31, 1999 and 1998, respectively. Payables to Severočeské doly, a.s. amounted to 562 and 310 million CZK as of December 31, 1999 and 1998, respectively. The prices of fossil fuel supplies from Severočeské doly, a.s. do not differ significantly from market prices.

Škoda Praha, a. s. is the Company's general supplier of technology and equipment for the Temelín nuclear power plant (see Note 3) and is 55% owned by the National Property Fund (see Note 1). In January 1999, the CEO of Škoda Praha, a. s. was appointed by the Ministry of Industry and Trade as a member of the Company's Board of Directors and in December 1999 gave up the CEO position at Škoda Praha, a. s. to become the CEO of ČEZ. In February and July 1999, the Company purchased 166,122 shares of Škoda Praha, a. s., which represents a 30% interest in the company. The Company's purchases from Škoda Praha, a. s., mainly for Temelín (see Note 3), amounted to CZK 8,271, 6,746 and 5,261 million in 1999, 1998 and 1997, respectively.

In 1999 the Company acquired minority interests ranging from 0.01% to 2.95% in six out of eight of REAS, the Company's major customers (see Note 1). The interest were purchased at the direction of Ministry of Industry and Trade so the National Property Fund (see Note 1) together with the Company, to regain majority interests for the government in the REAS.

16. SEGMENT INFORMATION

Until 1999 ČEZ had operated as an integrated generation and transmission company. As directed by the Ministry of Industry and Trade at the Company's June 1998 General Meeting, in late 1998 the Company established a wholly owned transmission subsidiary, ČEPS a. s., (ČEPS) with basic capital of CZK 1 million. Following an appraisal to value transmission assets at their fair value, ČEZ contributed such assets totaling CZK 16.8 billion to ČEPS. Since August 1999 generation and transmission activities have been accounted for as separate businesses. The following summarizes segment information from the period from August through December 1999 and as of 31 December 1999 (in CZK millions):

	Power Production	Transmission	Combined	Elimination	Consolidated
Sales Other than Intersegment Sales	53,528	14	53,542		53,542
Intersegment Sales	437	1,428	1,865	(1,865)	
Total Revenues	**53,965**	**1,442**	**55,407**	**(1,865)**	**53,542**
Operating Income	**9,363**	**(283)**	**9,080**	**316**	**9,396**
Identifiable Assets	**179,518**	**16,860**	**196,378**	**(10,014)**	**186,364**
Identifiable Liabilities	**84,195**	**5,551**	**89,746**	**(5,765)**	**83,981**

The power generation segment sells the major part of its electricity generated to eight regional distribution companies (see Note 1). The power generation segment charges the cost of power losses in the transmission grid to the transmission segment.

In 1999 the transmission segment sells transmission and dispatch services mainly to the power generation segment.

17. COMMITMENTS AND CONTINGENCIES

Construction Program

The Company is engaged in a continuous construction program, currently estimated as of December 31, 1999 to total CZK 82.8 billion over the next five years, as follows (in CZK billions): 24.2 in 2000, 20.0 in 2001, 14.4 in 2002, 12.3 in 2003 and 11.9 in 2004. Pursuant to its IAS interest capitalization policy (see Note 2), the CZK 82.8 billion includes approximately CZK 11.4 billion interest in excess of interest capitalized under Czech accounting principles. Such additional capitalized interest results in an increase in the Company's net income and construction expenditures, but does not effect either its cash requirements or its cash flow. The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. The estimated investments include CZK 35.1 billion for nuclear (including the Temelín nuclear power plant, see Note 3). At December 31, 1999 significant purchase commitments were outstanding in connection with the construction program.

The Company is actively pursuing various financing opportunities to fund the future costs of its construction program. In connection therewith, the Company has obtained the following credit ratings - from Moody's Investors Service: Baa1 and Standard & Poor's: BBB+ with stable outlook. It is the opinion of management that the Company will be able to obtain all necessary financing to complete the construction programs.

Environmental Matters

The Czech Republic has adopted a series of environmental acts and laws and regulations ("the Acts") including a timetable for the reduction of atmospheric emissions in the period from 1992 through December 31, 1998. As of December 31, 1998, all plants operated by the Company had been upgraded to meet the environmental requirements of the Acts.

The Company is also liable under the Acts for past environmental damage. in 1999, 1998 and 1997, payments made to state farms, individual farms, cooperatives, other agricultural firms and forests totaled 53, 162 and 187, respectively. Based on current estimates of its probable future obligations, the Company provided CZK 25 million in 1999, CZK 20 million in 1998 and CZK 94 million in 1997, respectively, for pollution damages. Although uncertainties exist due to interpretations of applicable laws, management does not believe, based upon the information available at this time, that the ultimate outcome of these matters will have a material adverse effect on the Company's financial position or results of operations.

Insurance Matters

The Nuclear Act (see Note 11) sets liabilities for nuclear damages by the operator of nuclear installations/licensees. The Nuclear Act provides that operators of nuclear facilities are liable for up to CZK 1.5 billion per incident and that the state is liable for the remainder up to CZK 6 billion. The Nuclear Act also requires an operator/licensee to insure its liability connected with operation of a nuclear power plant up to a minimum of CZK 1.5 billion and up to a minimum of CZK 200 million for other activities (such as transportation). ČEZ has a nuclear third party liability policy for damages connected with the operation of the Temelín nuclear power plant. The policy will come into force at the time of nuclear fuel loading. Two separate insurance policies for Temelín cover risk connected with transportation and storage of nuclear fuel according to the requirements of the Nuclear Act. ČEZ has a nuclear third party liability policy for damages connected with the operation of nuclear power plant Dukovany, a policy covering transport of nuclear fuel to Dukovany and a property insurance policy for Dukovany covering damages up to CZK 3 billion.

ČEZ and ČEPS have various insurance coverage, including Directors and Officers Liability, a property policy to cover "all risks" associated with the operation of ČEZ's fossil and hydro power plants, general third party liability insurance and risks connected with ČEPS' property and liability of the transmission business.

18. PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements are presented on the basis of International Accounting Standards issued by the International Accounting Standards Committee. Certain accounting principles generally accepted in the Czech Republic do not conform to International Accounting Standards used in preparing the accompanying financial statements. A description of the significant adjustments required to conform the Company's statutory balances to financial statements prepared in accordance with International Accounting Standards is set forth in the following tables.

The effect on retained earnings of differences in IAS and CAS at December 31, 1999 and 1998 is as follows (in CZK millions):

December 31	**1999**	**1998**
Balance per CAS	43,133	41,919
Accumulated provision for nuclear decommissioning and spent fuel storage (Note 11)	(6,715)	(7,142)
Interest capitalized net of deferred tax provision	10,466	7,674
Depreciation of interest capitalized net of deferred tax provision	(584)	(324)
Foreign exchange, net of deferred tax provision	585	737
Other depreciation differences, net of deferred tax provision	(515)	(511)
Deferred tax on tax loss carryforward	85	
Deferred tax on other provisions	305	
Deferred tax on negative goodwill write-off		(410)
Reclassification of reserve fund to retained earnings	7,975	7,657
Balance per IAS	**54,735**	**49,600**

There are no dividend payment restrictions on the amount of retained earnings recorded pursuant to CAS.

The effect on net income of differences in IAS and CAS is as follows (in CZK millions):

Year ended December 31	**1999**	**1998**	**1997**
Net income per CAS	1,624	7,537	3,367
Nuclear decommissioning and spent fuel storage costs (Note 11)	427	421	(83)
Interest capitalized, net of deferred tax provision	2,792	2,001	2,165
Depreciation of interest capitalized net of deferred tax provision	(260)	(163)	(111)
Foreign exchange rate differences, net of deferred tax provision	(153)	512	31
Other depreciation differences, net of deferred tax provision	4	23	18
Effect of application of IAS 12 (revised 1996)		499	
Deferred tax on tax loss carryforward	85		
Deferred tax on other provisions	305		
Deferred tax provision on negative goodwill write-off	410	(410)	
Reclassification of items from retained earnings, net	(99)	(70)	(131)
Net income per IAS	**5,135**	**10,350**	**5,256**

II. CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH CZECH ACCOUNTING STANDARDS

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 1999, 1998 AND 1997 (CZK thousands)

	1999	1998	1997
TOTAL ASSETS	**197,803,444**	**181,450,358**	**171,810,038**
Fixed assets	**173,684,496**	**165,817,885**	**151,007,156**
Intangible assets	395,781	358,849	361,391
Tangible assets	165,421,859	159,105,785	149,270,230
Financial investment	2,515,506	1,459,970	1,375,535
Investment in affiliate	5,351,350	4,893,281	
Current assets	**19,425,415**	**14,906,711**	**18,641,382**
Inventory	10,364,727	9,829,107	9,686,265
Long-term receivables	74,860	139,898	129,289
Short-term receivables	4,628,872	3,930,474	4,728,924
Financial accounts	4,356,956	1,007,232	4,096,904
Other assets – temporary accounts	**4,693,533**	**725,762**	**2,161,500**
TOTAL CAPITAL AND LIABILITIES	**197,803,444**	**181,450,358**	**171,810,038**
Capital	**110,683,425**	**109,187,543**	**101,406,863**
Stated capital	59,208,846	59,208,846	59,194,942
Capital funds	1,661,594	1,650,612	1,300,235
Funds from net profit	8,341,110	8,059,688	7,936,678
Retained earnings	38,677,560	32,731,647	29,607,794
Consolidated net income	1,623,835	7,536,750	3,367,214
Net income	1,238,580	7,205,167	3,367,214
Equity in earnings of affiliate	385,255	331,583	
Consolidation reserve fund	1,170,480		
Liabilities	**85,001,274**	**69,437,796**	**68,280,655**
Reserves	15,427,186	13,196,416	13,673,889
Long-term liabilities	31,678,358	15,707,402	25,074,035
Short-term liabilities	11,093,772	12,780,507	8,211,824
Bank loans and short-term notes	26,801,958	27,753,471	21,320,907
Other liabilities – temporary accounts	**2,118,745**	**2,825,019**	**2,122,520**

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997 (CZK thousands)

	1999	1998	1997
Revenues from goods sold	5,592	3,886	3,324
Cost of goods sold	3,861	2,961	2,635
Sales margin	1,731	925	689
Production	53,852,617	55,317,708	55,152,587
Consumption from production	29,691,981	29,737,158	29,543,953
Value added	**24,162,367**	**25,581,475**	**25,609,323**
Personnel expenses	3,566,143	3,393,055	3,237,131
Amortization of intangibles and depreciation of tangibles	8,593,483	8,052,054	6,953,293
Reversal of operating reserves and adjustments	2,553,651	2,549,017	3,126,377
Creation of operating reserves and adjustments	3,340,422	3,767,049	4,077,783
Other operational revenues	1,402,147	1,194,332	1,026,789
Other operational expenses	2,846,129	2,726,068	2,497,323
Consolidated operating income	**9,771,988**	**11,386,598**	**12,996,959**
Financial revenues	1,023,605	2,546,722	657,218
Financial expenses	8,986,719	7,651,272	10,274,980
Consolidated loss from financial activities	**(7,963,114)**	**(5,104,550)**	**(9,617,762)**
Consolidated net income from normal activities	**1,808,874**	**6,282,048**	**3,379,197**
Extraordinary revenues	46,675	30,747	28,904
Extraordinary expenses	709,382	50,592	40,887
Settlement of consolidation difference	92,413	942,964	
Consolidated extraordinary income (loss)	**(570,294)**	**923,119**	**(11,983)**
Consolidated net income, net of equity in earnings of affiliate	**1,238,580**	**7,205,167**	**3,367,214**
Equity in earnings of affiliate	385,255	331,583	
Consolidated net income	**1,623,835**	**7,536,750**	**3,367,214**

Note:
In 1999, the company for the first time calculated deferred tax liability from the difference between the valuation of its equity share in its affiliate for accounting purposes and the valuation for consolidation purposes (based on the size of the equity stake). This deferred tax, totalling CZK 464,444 thousand, was included as an expense in the 1999 income statement. If this method had been used in 1998, a substantial portion of this deferred tax expense (CZK 410,410 thousand) would have influenced 1998 consolidated income, which would have amounted to CZK 7,126,340 thousand, and the 1999 consolidated income would have been reported as CZK 2,034,245 thousand.

III. FINANCIAL STATEMENTS IN ACCORDANCE WITH CZECH ACCOUNTING STANDARDS

BALANCE SHEETS DECEMBER 31, 1999, 1998 AND 1997 (CZK thousands)

ASSETS		row	1999 gross	1999 adjustments	1999 net	1998 net	1997 net
	TOTAL ASSETS	**001**	**264,898,739**	**(68,388,779)**	**196,509,960**	**180,277,757**	**171,810,038**
A.	**Stock subscribtions receivable**	**002**					
B.	**Fixed assets**	**003**	**235,497,773**	**(68,040,743)**	**167,457,030**	**164,645,284**	**151,007,156**
B. I.	**Intangible assets**	**004**	**817,845**	**(426 546)**	**391 299**	**358,849**	**361,391**
B. I. 1.	Expenses of foundation and organization	005					
2.	Research and development	006					
3.	Software	007	692,393	(420,959)	271,434	264,013	287,795
4.	Patents, rights and royalties	008	20,078	(5,587)	14,491	10,486	7,478
5.	Other intangibles	009					
6.	Intangibles in progress	010	90,552		90,552	83,949	65,248
7.	Advances for intangibles	011	14,822		14,822	401	870
B. II.	**Tangible assets**	**012**	**226,171,097**	**(67,595,297)**	**158,575,800**	**159,105,785**	**149,270,230**
B. II. 1.	Land	013	639,082		639,082	649,356	645,132
2.	Buildings, halls and constructions	014	51,297,393	(21,758,481)	29,538,912	31,129,248	30,165,609
3.	Separate movable items and groups of movable items	015	94,708,022	(45,802,541)	48,905,481	54,165,762	50,086,301
4.	Permanent growth	016					
5.	Livestock	017					
6.	Other tangible assets	018	47,874	(34,199)	13,675	12,743	12,050
7.	Tangibles in progress	019	64,013,969		64,013,969	57,340,764	51,931,464
8.	Advances for tangibles	020	15,464,495		15,464,495	15,807,708	16,429,453
9.	Adjustment to acquired property	021	262	(76)	186	204	221
B. III.	**Financial investment**	**022**	**8,508,831**	**(18,900)**	**8,489,931**	**5,180,650**	**1,375,535**
B. III. 1.	Majority shareholdings and participating interests (shareholdings > 50%)	023	3,051,607		3,051,607	847,337	764,830
2.	Substantial shareholdings and participating interests (shareholdings of 20%-50%)	024	4,573,886	(6,000)	4,567,886	4,240,373	523,474
3.	Other securities and deposits	025	87,524		87,524	11,210	11,460
4.	Intergroup loans	026					
5.	Other financial investments	027	795,814	(12,900)	782,914	81,730	75,771
C.	**Current assets**	**028**	**24,570,764**	**(348,036)**	**24,222,728**	**14,906,711**	**18,641,382**
C. I.	**Inventory**	**029**	**10,427,681**	**(131,525)**	**10,296,156**	**9,829,107**	**9,686,265**
C. I. 1.	Materials	030	10,372,757	(131,525)	10,241,232	9,727,088	8,819,566
2.	Work in progress and semi-finished production	031					253
3.	Finished products	032					
4.	Livestock	033					
5.	Goods	034	26,748		26,748		158
6.	Advances for inventory	035	28,176		28,176	102,019	866,288
C. II.	**Long-term receivables**	**036**	**3,515,581**		**3,515,581**	**139,898**	**129,289**
C. II. 1.	Trade receivables	037	42,348		42,348	117,019	92,298
2.	Receivables from partners and associations	038					
3.	Receivables from related companies (shareholdings > 50%)	039	3,448,560		3,448,560		14,624
4.	Receivables from related companies (shareholdings of 20%-50%)	040					
5.	Other receivables	041	24,673		24,673	22,879	22,367
C. III.	**Short-term receivables**	**042**	**6,583,836**	**(216,511)**	**6,367,325**	**3,930,474**	**4,728,924**
C. III. 1.	Trade receivables	043	3,870,938	(166,077)	3,704,861	3,367,540	3,066,621
2.	Receivables from partners and associations	044					
3.	Receivables from social security	045					
4.	Receivables from taxes	046	966,376		966,376	414,058	1,596,277
5.	Deferred tax assets	047					
6.	Receivables from related companies (shareholdings > 50%)	048	1,628,781		1,628,781	14,624	
7.	Receivables from related companies (shareholdings of 20%-50%)						
8.	Other receivables	050	117,741	(50,434)	67,307	134,252	66,026
C. IV.	**Financial accounts**	**051**	**4,043,666**		**4,043,666**	**1,007,232**	**4,096,904**
C. IV. 1.	Cash	052	3,712		3,712	17,084	23,800
2.	Bank accounts	053	492,414		492,414	489,587	4,072,596
3.	Short-term financial assets	054	3,547,540		3,547,540	500,561	508
D.	**Other assets - temporary accounts**	**055**	**4,830,202**		**4,830,202**	**725,762**	**2,161,500**
D. I.	**Temporary accounts of assets**	**056**	**4,759,255**		**4,759,255**	**667,022**	**2,113,974**
D. I. 1.	Prepaid expenses	057	2,695,379		2,695,379	169,737	21,190
2.	Unbilled revenues	058	146,634		146,634	1,123	566
3.	Exchange rate losses	059	1,917,242		1 917,242	496,162	2,092,218
D. II.	**Contingencies**	**060**	**70,947**		**70,947**	**58,740**	**47,526**

BALANCE SHEETS DECEMBER 31, 1999, 1998 AND 1997 (CZK thousands)

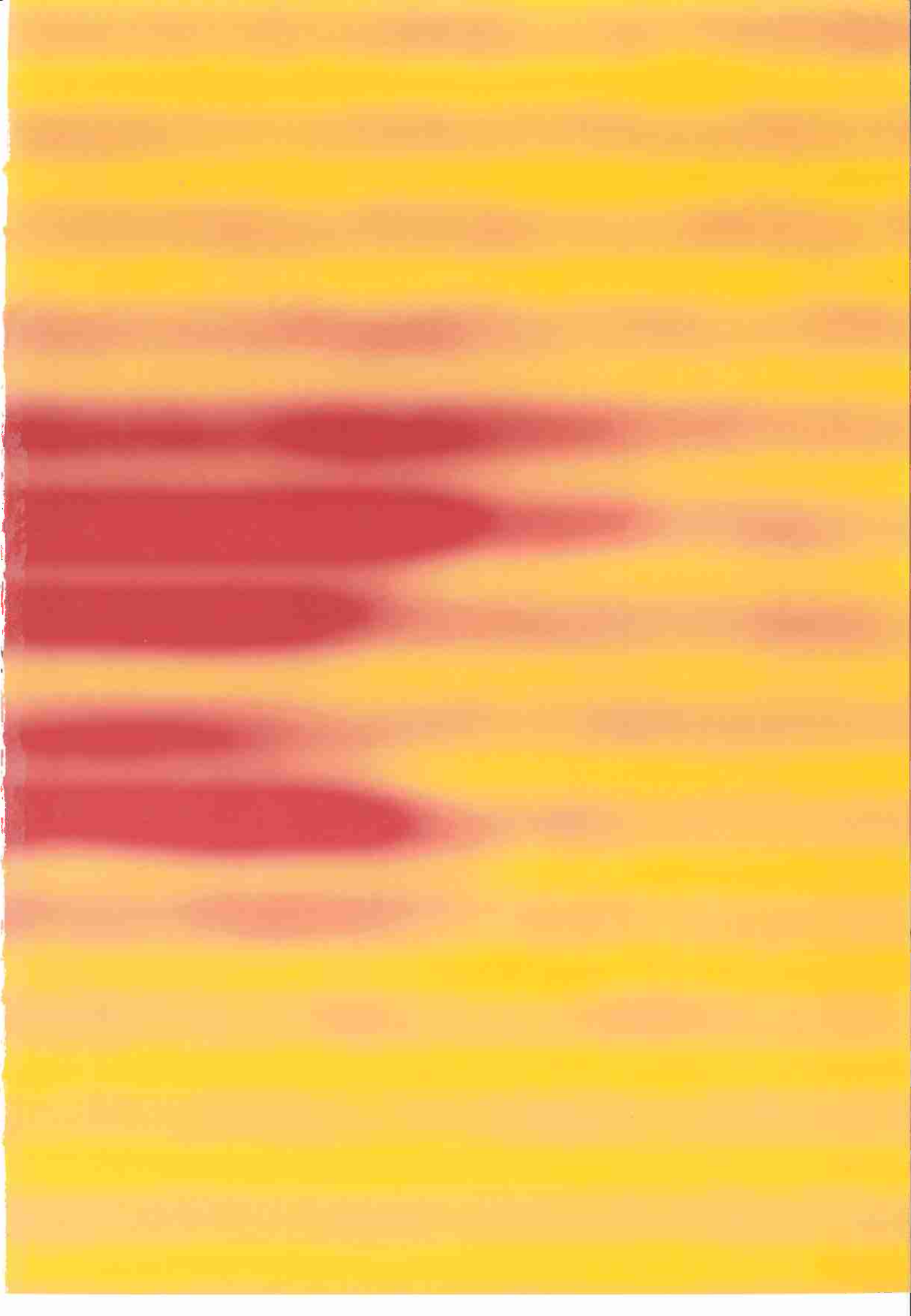
	CAPITAL AND LIABILITIES	row	1999	1998	1997
	TOTAL CAPITAL AND LIABILITIES	061	196,509,960	180,277,757	171,810,038
A.	**Capital**	062	110,048,990	108,014,942	101,406,863
A. I.	**Stated capital**	063	59,208,846	59,208,846	59,194,942
A. I. 1.	Stated capital	064	59,208,846	59,208,846	59,194,942
2.	Own shares	065			
A. II.	**Capital funds**	066	1,661,594	1,650,612	1,300,235
A. II. 1.	Share premium	067			
2.	Other capital funds	068	1,661,594	1,650,612	1,300,235
3.	Revaluation of assets	069			
4.	Revaluation of capital participation	070			
A. III.	**Funds from net profit**	071	8,341,110	8,059,688	7,936,678
A. III. 1.	Legal reserve fund	072	7,974,818	7,656,611	7,488,250
2.	Indivisible fund	073			
3.	Statutory and other funds	074	366,292	403,077	448,428
A. IV.	**Retained earnings**	075	38,677,589	32,731,647	29,607,794
A. IV. 1.	Retained earnings of previous years	076	38,677,589	32,731,647	29,607,794
2.	Retained losses of previous years	077			
A. V.	**Profit / loss of current accounting period**	078	2,159,851	6,364,149	3,367,214
B.	**Liabilities**	079	84,344,001	69,437,796	68,280,655
B. I.	**Reserves**	080	15,427,046	13,196,416	13,673,889
B. I. 1.	Legal reserves	081	4,986,767	4,225,742	3,087,012
2.	Reserve for exchange rate losses	082	1,887,087	555,817	2,110,842
3.	Other reserves	083	8,553,192	8,414,857	8,476,035
B. II.	**Long-term liabilities**	084	31,678,358	15,707,402	25,074,035
B. II. 1.	Long-term payables to related companies (shareholdings > 50%)	085	13,553,867	5,707,402	11,074,035
2.	Long-term payables to related companies (shareholdings of 20%-50%)	086			
3.	Long-term deposits received	087	1,124,491		
4.	Bonds payable	088	17,000,000	10,000,000	14,000,000
5.	Long-term notes payable	089			
6.	Other long-term payables	090			
B. III.	**Short-term liabilities**	091	10,436,639	12,780,507	8 211 824
B. III. 1.	Trade payables	092	4,987,554	3,605,266	4 539 128
2.	Payables to partners and associations	093			
3.	Payables to employees	094	3,842	7,531	14,572
4.	Social security payables	095	100,006	107,589	97,712
5.	Taxes payable and subsidies	096	138,509	113,918	137,806
6.	Deferred tax liabilities	097	5,029,759	4,483,860	3,278,369
7.	Payables to related companies (shareholdings > 50%)	098		4,136,996	
8.	Payables to related companies (shareholdings of 20%-50%)	099			
9.	Other payables	100	176,969	325,347	144,237
B. IV.	**Bank loans and short-term notes**	101	26,801,958	27,753,471	21,320,907
B. IV. 1.	Long-term bank loans	102	21,801,310	18,853,379	14,615,006
2.	Short-term bank loans	103	5,000,648	4,900,092	6,648,701
3.	Short-term notes	104		4,000,000	57,200
C.	**Other liabilities – temporary accounts**	105	2,116,969	2,825,019	2,122,520
C. I.	**Accruals**	106	1,256,839	2,225,685	1,437,503
C. I. 1.	Accruals	107	1,171,503	1,274,914	1,311,540
2.	Deferred income	108	55,181	114,780	78,050
3.	Exchange rate gains	109	30,155	835,991	47,913
C. II.	**Contingencies**	110	860,130	599,334	685,017

PROFIT AND LOSS ACCOUNT STATEMENTS FOR TWELVE-MONTH PERIODS ENDED DECEMBER 31, 1999, 1998 AND 1997 (CZK thousands)

			row	1999	1998	1997
	I.	Revenues from goods sold	01	71,111	3,886	3,324
A.		Costs of goods sold	02	69,380	2,961	2,635
+		**Sales margin**	03	1,731	925	689
	II.	**Production**	04	54,218,385	55,317,708	55,152,587
	II. 1.	Revenues from finished products and services	05	53,887,883	54,963,621	54,806,449
	2.	Changes in inventory of own production	06		(253)	253
	3.	Capitalization (of own work)	07	330,502	354,340	345,885
B.		**Consumption from production**	08	30,579,781	29,737,158	29,543,953
B.	1.	Consumption of material and energy	09	22,276,745	22,449,296	22,609,341
B.	2.	Services	10	8,303,036	7,287,862	6,934,612
+		**Value added**	11	23,640,335	25,581,475	25,609,323
C.		**Personnel expenses**	12	3,482,141	3,393,055	3,237,131
C.	1.	Wages and salaries	13	2,477,692	2,420,881	2,314,022
C.	2.	Bonuses to board members	14	6,807	6,121	14,042
C.	3.	Social insurance	15	888,462	863,293	823,314
C.	4.	Other social expenses	16	109,180	102,760	85,753
D.		Taxes and fees	17	1,034,347	1,186,727	1,058,904
E.		Amortization of intangibles and depreciation of tangibles	18	8,339,395	8,052,054	6,953,293
	III.	Revenues from intangibles, tangibles and material sold	19	1,323,707	981,613	878,674
F.		Net book value of intangibles, tangibles and material sold	20	1,420,674	991,718	903,881
	IV.	Reversal of reserves and prepaid expenses	21	2,253,612	2,472,349	2,981,955
G.		Creation of reserves and prepaid expenses	22	3,152,972	3,549,901	3,820,651
	V.	Reversal of adjustments	23	300,039	76,668	144,422
H.		Creation of adjustments	24	187,450	217,148	257,132
	VI.	Other operational revenues	25	70,481	212,719	148,115
I.		Other operational expenses	26	378,934	547,623	534,538
	VII.	Transfer of operational revenues	27			
J.		Transfer of operational expenses	28			
*		**Net operating results**	29	9,592,261	11,386,598	12,996,959
	VIII.	Revenues from sale of securities and deposits	30	15,967	3,395	27,050
K.		Sold securities and deposits	31	13,816	408	17,950
	IX.	**Revenues from financial investments**	32	133,625	135,887	19,653
	IX. 1.	Revenues from securities and deposits in group	33	128,033	135,042	17,121
	2.	Revenues from other securities and deposits	34	4,725		1,687
	3.	Revenues from other financial investments	35	867	845	845
	X.	Revenues from short-term financial assets	36			
	XI.	Reversal of financial reserves	37	555,817	2,110,842	82,702
L.		Creation of financial reserves	38	1,887,087	555,817	2,110,842
	XII.	Reversal of adjustments	39		22,132	
M.		Creation of adjustments	40	18,900		22,132
	XIII.	Interest revenues	41	331,426	107,500	155,119
N.		Interest expenses	42	4,328,682	3,914,096	3,724,507
	XIV.	Other financial revenues	43	310,633	268,912	372,694
O.		Other financial expenses	44	1,163,953	885,287	929,469
	XV.	Transfer of financial revenues	45			
P.		Transfer of financial expenses	46			
*		**Net results from financial activities**	47	(6,064,970)	(2,706,940)	(6,147,682)
R.		**Income taxes on normal activity**	48	702,195	2,295,664	3,470,080
R.	1.	– Due	49	156,296	1,090,173	2,127,113
	2.	– Deferred	50	545,899	1,205,491	1,342,967
			51			
**		**Net results after taxes from normal activity**	52	2,825,096	6,383,994	3,379,197
	XVI.	Extraordinary revenues	53	44,130	30,747	28,904
S.		Extraordinary expenses	54	709,375	53,458	46,101
T.		**Income tax on extraordinary activity**	55		(2,866)	(5,214)
T.	1.	– Due	56		(2,866)	(5,214)
	2.	– Deferred	57			
*		**Net results from extraordinary activity**	58	(665,245)	(19,845)	(11,983)
U.		Income distribution to partners	59			
***		**Net profit (loss) for the accounting period**	60	2,159,851	6,364,149	3,367,214
		Profit (loss) before income taxes	61	2,862,046	8,656,947	6,832,080

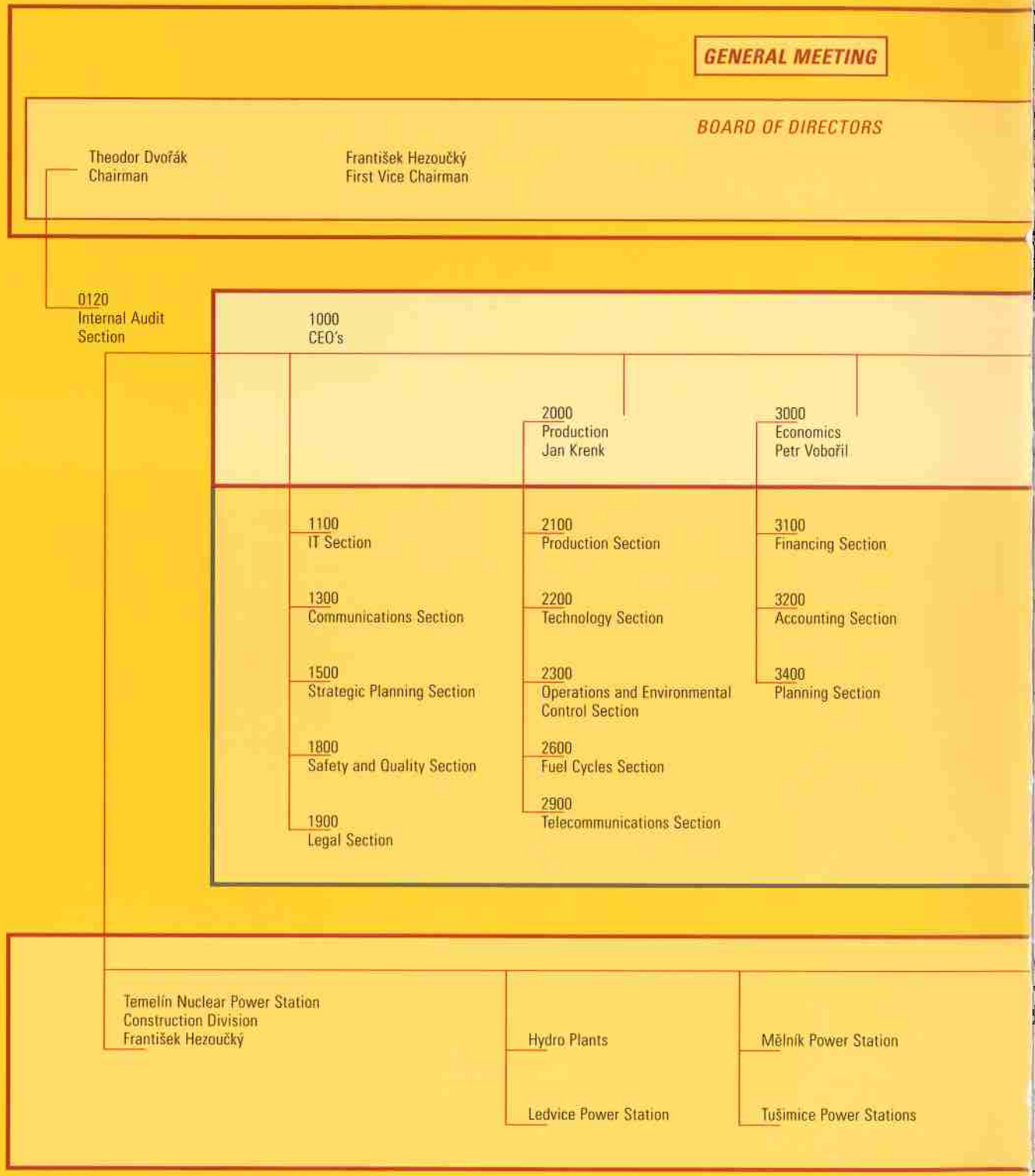
CASH FLOW STATEMENT FOR TWELVE-MONTH PERIODS ENDED DECEMBER 31, 1999, 1998 AND 1997 (CZK thousands)

		1999	1998	1997
P.	**Cash and cash equivalents at beginning of period**	**1,007,232**	**4,096,904**	**2,221,711**
	Operating activities			
Z.	Pre-tax profit from normal activity	3,527,291	8,679,658	6,849,277
A.1.	Adjustments by non-cash transactions	12,657,053	13,630,971	10,656,171
A.1.1.	Depreciation, amortization and writing-off	8,361,788	8,104,142	6,974,736
A.1.1.1.	Depreciation and amortization of fixed assets	8,339,413	8,057,704	6,969,022
A.1.1.2.	Receivables writing-off	22,375	46,438	5,714
A.1.2.	Change in adjustments, reserves and temporary accounts	197,876	1,742,500	129,785
A.1.2.1.	Change in adjustments	(93,707)	118,330	134,824
A.1.2.2.	Change in reserves	2,230,630	(477,473)	2,866,836
A.1.2.3.	Change in temporary accounts of assets and liabilities	(1,939,047)	2,101,643	(2,871,875)
A.1.3.	Gain/Loss on fixed assets retirements	100,133	(22,267)	(17,738)
A.1.4.	Interest expenses and revenues	3,997,256	3,806,596	3,569,388
A.1.4.1	Interest expenses	4,328,682	3,914,096	3,724,507
A.1.4.2.	Interest revenues	(331,426)	(107,500)	(155,119)
A.*	**Net cash provided by operating activities before taxes, changes in working capital and extraordinary items**	**16,184,344**	**22,310,629**	**17,505,448**
A.2.	Change in working capital	1,009,431	(223,227)	1,928,252
A.2.1.	Change in receivables from operational activities	76,635	176,161	2,523,374
A.2.2.	Change in short-term payables from operational activities	1,590,733	(252,657)	292,790
A.2.3.	Change in inventory	(657,937)	(146,731)	(887,912)
A.**	**Net cash provided by operating activities before taxes and extraordinary items**	**17,193,775**	**22,087,402**	**19,433,700**
A.3.	Interest paid, excl. capitalized interest	(4,386,817)	(3,908,959)	(3,551,715)
A.4.	Interest received	189,634	106,987	155,048
A.5.	Income taxes paid	(700,214)	(569,047)	(1,643,011)
A.6.	Revenues and expenses related to extraordinary items	(17,417)	(22,643)	(17,197)
A.***	**Net cash provided by operating activities**	**12,278,961**	**17,693,740**	**14,376,825**
	Investing activities			
B.1.	Fixed assets acquisition	(17,639,894)	(22,320,520)	(19,218,768)
B.1.1.	Additions to tangible fixed assets	(15,617,328)	(17,953,420)	(18,800,714)
B.1.2.	Additions to intangible fixed assets	(160,277)	(117,168)	(94,349)
B.1.3.	Change in financial investment	(1,561,135)	(3,760,755)	(134,143)
B.1.4.	Change in payables from investing activity	(264,733)	(521,147)	(133,975)
B.1.5.	Change in payables from investing activity (emerging from exchange rate defferencies)	(36,421)	31,970	(55,587)
B.2.	Proceeds from sales of fixed assets	280,516	107,943	223,795
B.2.1.	Proceeds from sales of tangible fixed assets	516,632	56,859	204,925
B.2.2.	Proceeds from sales of intangible fixed assets			
B.2.3.	Proceeds from sales of financial investment	15,967	3,395	27,050
B.2.4.	Change in receivables from sales of fixed assets	(252,083)	47,689	(8,180)
B.***	**Total cash used in investing activities**	**(17,359,378)**	**(22,212,577)**	**(18,994,973)**
	Financing activities			
C.1.	Change in long-term liabilities and short-term loans	8,245,352	1,202,927	6,630,861
C.1.1.	Change in long-term bank loans	2,947,931	4,238,373	4,450,302
C.1.2.	Change in short-term bank loans and notes	(8,036,440)	6,331,187	(4,509,777)
C.1.3.	Change in long-term bonds payable	4,362,905	(4,000,000)	
C.1.4.	Change in other long-term liabilities	8,970,956	(5,366,633)	6,690,336
C.2.	Impact of changes in equity by cash	(128,501)	226,238	(137,520)
C.2.1.	Monetary donations and subsidies to equity	8,284	346,589	31
C.2.2.	Direct payments debited to funds	(136,785)	(120,351)	(135,186)
C.2.3.	Paid-out dividends and profit shares			(2,365)
C.***	**Net cash from financing activities**	**8,116,851**	**1,429,165**	**6,493,341**
F.	**Net increase/decrease in cash**	**3,036,434**	**(3,089,672)**	**1,875,193**
R.	**Cash and cash equivalents at end of period**	**4,043,666**	**1,007,232**	**4,096,904**



ORGANIZATION CHART

BASIC ORGANIZATION AND FUNCTION CHART OF ČEZ, a. s. AS OF 1 MAY 2000



CORPORATE GOVERNANCE BODIES

Stanislav Svoboda

Zdeněk Vorlíček

SUPERVISORY BOARD

František Brožík, Václav Krejčí, Vladimír Laštůvka,
Michal Procházka, Jiří Třešňák, Jan Ševr,
Karel Špaček, Jiří Švamberk, Luboš Zíka

EXECUTIVE MANAGEMENT

- 4000 Human Resources — Ivan Celizna
  - 4100 Personnel Section
  - 4200 Human Resources Development Section
- 5000 Sales — Ivan Bafka
  - 5100 Electricity and Heat Trade Section
  - 5200 Electricity Balance Section
- 6000 Development — Jiří Richter
  - 6300 Investment Section
  - 6500 Engineering Section
- 7000 Property Management and Procurement — Theodor Dvořák
  - 7100 Property Management Section
  - 7200 Procurement Section
  - 7300 Goods and Services Procurement Planning Section

HEADQUARTERS

ORGANIZATIONAL UNITS

- Tisová Power Station
- Počerady Power Station
- Poříčí Power Stations
- Dukovany Nuclear Power Station
- Dětmarovice Power Station
- Hodonín Power Station
- Chvaletice Power Station
- Prunéřov Power Stations

DIRECTORY OF ORGANIZATIONAL UNITS AND INFORMATION CENTERS

HEADQUARTERS

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Electricity Consulting Center

Vladimír Zelený

ČEZ, a. s.
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111 48 Praha 1

Tel.: +420 / 2 / 2408 2778
Fax: +420 / 2 / 2408 2422

Opening Hours: Monday through Thursday 10:00 – 17:00, excepting state holidays.

DUKOVANY NUCLEAR POWER STATION

Aleš John, Director of Technology
Josef Sedlák, Director of Finance and Property Management

ČEZ, a. s.
Jaderná elektrárna Dukovany
675 50 Dukovany

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Fax: +420 / 618 / 86 6360

Information Center

Rudolf Vybíral

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Jaderná elektrárna Dukovany
Informační centrum
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Tel.: +420 / 618 / 81 5519
Fax: +420 / 618 / 86 6390

Opening Hours: 9:00 – 16:00 seven days a week, excepting state holidays, closed on first Monday of every month.

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František Hezoučký, Executive Director Temelín Nuclear Power Station Construction Division

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Jaderná elektrárna Temelín
373 05 Temelín – elektrárna

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Information Center

Milan Malík

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Tel.: +420 / 334 / 78 2639
Fax: +420 / 334 / 78 4900

Opening Hours: by telephone appointment only until 30 June 2000, starting on 1 July 2000 9:00 – 16:00 seven days a week, excepting state holidays.

HYDRO POWER STATIONS

Jiří Černý, Director

ČEZ, a. s.
Vodní elektrárny
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Information Centers

Štěchovice run-of-river and pumped storage hydro power station

ČEZ, a. s.
Vodní elektrárny
Informační centrum
252 07 Štěchovice

Tel.: +420 / 603 / 769 197 – appointments Jan Frouz

Opening Hours: May 1 – August 31: Fridays, 14:00 – 16:00; Saturdays and Sundays, 10:00 – 15:30; other days and during off-season, by appointment (closed on state holidays).

Dlouhé Stráně pumped storage hydro power station

Tours arranged by:
Energotis, s. r. o.
Rejhotice 75
788 12 Loučná nad Desnou

Tel.: +420 / 649 / 23 5091 – appointments Veleslav Trnečka
Fax: +420 / 649 / 23 5094

Opening Hours: April 1 – August 31: Monday through Friday, 8:00 – 15:00, Saturday – Sunday, 8:00 – 12:00 (by appointment only). During off-season by appointment only (closed on state holidays).

Dalešice pumped storage hydro power station

Tours arranged by:
Energotis, s. r. o.
Rejhotice 75
788 12 Loučná nad Desnou

Tel.: +420 / 509 / 652 221 – appointments Blanka Mašinová
Fax: +420 / 509 / 65 2224

Opening Hours: May 1 – September 30: Monday through Friday, 9:00 – 16:00. During off-season by appointment only (closed on state holidays).

MĚLNÍK POWER STATION
Karel Šik, Director

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TISOVÁ POWER STATION
Vladimír Sýkora, Director

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356 69 Sokolov 1

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Fax: +420 / 168 / 62 4035

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Jiří Příhoda, Director

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Jan Mikulka, Director

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Fax: +420 / 69 / 655 0326

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Bedřich Ježek, Director

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Fax: +420 / 40 / 683 3600 (3604)

LEDVICE POWER STATION
Ladislav Poupa, Director

ČEZ, a. s.
Elektrárna Ledvice
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Fax: +420 / 417 / 80 1501

TUŠIMICE POWER STATIONS
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EXPLANATION OF TERMS AND ABBREVIATIONS

GLOSSARY OF POWER INDUSTRY TERMS

Term or Abbreviation	Definition
Alternative sources	Power plants using renewable sources of energy such as solar energy, wind energy, etc.
Black start	Ability to start-up a power station generating unit without external grid voltage
CENTREL	Regional association of Czech, Slovak, Hungarian and Polish electric utilities
CPI	Consumer Price Index, a measure of inflation
Cross-border transit	Transmission of electricity among States across Czech Republic borders
Czech Nuclear Pool	Consortium of insurance companies insuring nuclear power facilities
Czech Republic Power System	Term covering all equipment necessary to generate and transmit electricity
Electricity demand	Total electricity generated by domestic sources less electricity consumed by power stations less network losses less electricity used for pumping at pumped-storage hydro power stations plus balance of foreign electricity trade
Electricity supply	Overall production of electricity less ČEZ's own consumption and losses associated with generation processes
Eligible customer	Customer having the right to choose its electricity supplier - entity licensed to generate or distribute electricity - or purchase electricity directly on an organized electricity market
Emission limits	Highest allowed concentrations of pollution released into the atmosphere
End user	Customer who consumes all electricity purchased; does not act as an intermediary
EURELECTRIC	Until December 1999, the European association of electric utility companies; in December 1999 merged with the UNIPEDE association, creating a new organization retaining the name EURELECTRIC (Union of the Electricity Industry), which combines the activities of both original organizations
European Parliament Directive No. 96	Directive No. 96/92 of the European Parliament and the European Union Council
Fluidized-bed boiler	Boiler in which coal combustion takes place in a rising column of air. Flue gas desulfurization takes place by adding ground limestone to the fuel. This renders unnecessary the desulfurization equipment used with more common powder-coal boilers.
High-volume electricity customer	Customer supplied through the medium- and high-voltage networks
Installed capacity	Sum of generator name-plate capacities
Network Control Failure Rate	Rate of failures that affect activation generating of sources to meet current needs of the Czech Republic Power System
NORDEL	North European interconnected electricity network
Peak load	Highest network load measured during a given period
Production of electricity	Overall electricity production measured at generator terminals
Regional distribution utilities	(Czech abbreviation is REAS) Eight regional electric utility companies that distribute electricity to end users
Regulated Third Party Network Access	Up until now, end customers have been served by the owners and operators of the networks to which they are connected. Since they are not allowed to enter into electricity supply agreements directly with producers or traders, end customers stand outside the producer-network operator relationship, as a so-called "third party". Under the Regulated Third Party Network Access model, access to transmission and distribution networks is open not only to producers and electricity merchants, but also to so-called "eligible customers". All of these market players are free to sign contracts with one another. Network access is regulated by a regulatory agency that publishes binding prices. A network operator may refuse grid-access, i.e. refuse to convey electricity, only in cases of demonstrable lack of capacity

Term or Abbreviation	Definition
Retrofit	Overhaul and upgrade of equipment. For example, the retrofit of Tušimice I included desulfurization
SDH	Synchronous Digital Hierarchy transmission system
Transmission System	That portion of the Czech Republic Power System used to transmit electricity at 400 kV and 220 kV as well as those 110 kV lines used to convey electricity out of power stations
UNIPEDE	International Union of Producers and Distributors of Electrical Energy
UCPTE	Until 30 June 1999 – Union for the Coordination of Production and Transmission of Energy (West European interconnected electricity network, including producers and transmission companies)
UCTE	Since 1 July 1999 – Union for the Coordination of Transmission of Electricity (West European interconnected network of electricity transmission companies)

EXPLANATION OF UNITS USED IN THIS DOCUMENT

Unit	Explanation
kV	kV = 10^3 V, V = unit of electrical potential (voltage)
MW	MW = 10^6 W = 10^3 kW, W = unit of capacity
GWh	GWh = 10^9 Wh = 10^3 MWh = 10^6 kWh, Wh = 3 600 Ws,
TJ	TJ = 10^{12} J = 10^3 GJ = 10^6 MJ, J = Ws = unit of work (energy)
Hz	Unit of frequency. Nominal frequency of Czech power system is 50 Hz
SO_2	Sulfur dioxide
NO_x	Oxide(s) of nitrogen
CO	Carbon monoxide
CO_2	Carbon dioxide

ACTS OF PARLIAMENT, DIRECTIVES AND GOVERNMENT RESOLUTIONS REFERRED TO IN THIS DOCUMENT

Official title		Referred to in text as:
Act No. 40/1964 Sb.	The Civil Code, as amended	Civil Code
Act No. 110/1964 Sb.	On Telecommunications, as amended	Telecommunications Act
Act No. 65/1965 Sb.	The Labor Code, as amended	Labor Code
Act No. 50/1976 Sb.	On Zoning and the Building Code, as amended (full text published under 197/1998 Sb.)	Construction Act
Act No. 63/1991 Sb.	On the Protection of Economic Competition, as amended	Act on Protection of Economic Competition
Act No. 309/1991 Sb.	On Protection of Air Against Pollutive Materials (Clean Air Act), as amended (full text published under 211/1994 Sb.)	Clean Air Act
Act No. 513/1991 Sb.	The Commercial Code, as amended	Commercial Code
Act No. 563/1991 Sb.	On Accounting, as amended	Accounting Act
Act No. 244/1992 Sb	Act of the Czech National Council on Assessing Environmental Impacts	Act on Assessing Environmental Impacts
Act No. 586/1992 Sb.	On Income Taxes, as amended	Income Tax Act
Act No. 593/1992 Sb.	On Provisions for Determining Income Tax Base, as amended	Act on Provisions
Act No. 199/1994 Sb.	On Public Procurement, as amended	Act on Public Procurement
Act No. 18/1997 Sb.	On Peaceful Use of Nuclear Energy and Ionizing Radiation and the Amendment of Certain Laws, as amended by Act No. 83/1998 Sb.	Nuclear Act
Act No. 125/1997 Sb.	On Waste, as amended by Act No. 167/1998 Sb.	Waste Act
Act No. 148/1998 Sb.	On Protection of State Secrets and the Amendment of Certain Laws, as amended by Act No. 164/1999 Sb.	State Secrets Act
Directive No. 11/1999 Sb.	Czech Government Directive on Accident Planning Zone	Accident Planning Zone Directive
Resolution No. 334/1999	Czech Government Resolution on a proposal for approval of purposes for which state enterprises and corporations with majority state ownership may provide sponsorship donations during the relevant year	Government Resolution on Sponsorship

Official title		Referred to in text as:
Decree No. 34/1999 Sb.	Which Amends Decree of the Ministry of Industry and Trade No. 95/1998 Sb. Which Stipulates the Control Rules of the Czech Electrical Power Network	Network Control Rules
Decree No. 195/1999 Sb.	Decree of the State Nuclear Safety Agency setting forth requirements on nuclear facilities to ensure nuclear safety, radiation protection, and accident preparedness	Decree on Nuclear Facility Requirements
Decree No. 196/1999 Sb.	Decree of the State Nuclear Safety Agency on decommissioning nuclear facilities or facilities with large or very large sources of ionizing radiation	Decree on Nuclear Facility Decommissioning
Decree No. 324/1999 Sb.	Decree of the State Nuclear Safety Agency setting limits on concentrations and amounts of nuclear material to which nuclear damage provisions shall not apply	Decree on Nuclear Material Limits

NAMES OF GOVERNMENTAL BODIES APPEARING IN TEXT

Name used in text	Full name
Academy of Sciences	Academy of Sciences of the Czech Republic
National Property Fund	Fund of National Property of the Czech Republic
Ministry of Finance	Ministry of Finance of the Czech Republic
Ministry of Industry and Trade	Ministry of Industry and Trade of the Czech Republic
Ministry of the Environment	Ministry of the Environment of the Czech Republic
Chamber of Deputies	Chamber of Deputies of the Czech Parliament

ČEZ, a. s.

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Legal form: joint-stock company

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